UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2009

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number	Exact name of registrant as specified in its charter; State or other jurisdiction of incorporation or organization	IRS Employer Identification No.
1-5152	**PACIFICORP** **(An Oregon Corporation)** **825 N.E. Multnomah Street** **Portland, Oregon 97232** **503-813-5000**	**93-0246090**

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

<u>Title of each Class</u>

5% Preferred Stock (Cumulative; $100 Stated Value)
Serial Preferred Stock (Cumulative; $100 Stated Value)
No Par Serial Preferred Stock (Cumulative; $100 Stated Value)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Gross margin increased $239 million, or 9%, primarily due to:

- $134 million of increases from higher retail prices approved by regulators primarily to recover increased costs of assets placed in service and higher energy costs;
- $83 million of increases in net wholesale electricity activities due to $259 million of significantly lower average prices on wholesale electricity purchases and $32 million of lower volumes of wholesale electricity purchases, partially offset by $208 million of lower average prices on wholesale electricity sales;
- $66 million of increases due to sales to the noncontrolling interest in PacifiCorp's majority owned coal mining operation;
- $44 million of increases in sales of renewable energy credits;
- $27 million of increases due to growth in the average number of commercial and residential customers primarily in Utah; and
- $13 million of decreases in fuel costs primarily due to lower volumes of coal consumed as a result of increased generating facility overhauls and lower retail demand, partially offset by higher average prices of coal.

These increases in gross margin were partially offset by:

- $92 million of decreases due to lower average customer usage primarily in Oregon and on industrial customers across PacifiCorp's service territories due to the effects of the current economic conditions; and
- $26 million due to lower deferrals of incurred power costs in accordance with established adjustment mechanisms.

Operations and maintenance expense increased $50 million, or 5%, primarily due to costs associated with sales to the noncontrolling interest in PacifiCorp's majority owned coal mining operation.

Depreciation and amortization expense increased $59 million, or 12%, primarily due to higher plant-in-service.

Taxes, other than income taxes increased $24 million, or 21%, primarily due to costs attributable to PacifiCorp's majority owned coal mining operation and increased property taxes driven by higher plant-in-service.

Interest expense increased $51 million, or 15%, primarily due to higher average debt outstanding, partially offset by lower average rates on variable- and fixed-rate debt.

Allowance for borrowed and equity funds increased $18 million, or 22%, primarily due to higher qualified construction work-in-progress balances, partially offset by lower average rates.

Interest income increased $8 million, or 73%, substantially due to interest associated with PacifiCorp's 2006 and 2007 tax reports pursuant to SB 408.

Income tax expense decreased $4 million to $234 million for the year ended December 31, 2009 as compared to 2008, primarily due to higher production tax credits associated with increased production at wind-powered generating facilities, substantially offset by higher pre-tax earnings. The effective tax rate was 30% for the year ended December 31, 2009 compared to 34% for the year ended December 31, 2008.

Gross margin increased $51 million, or 2%, primarily due to:

- $129 million of increases from higher retail prices approved by regulators primarily to recover increased costs of assets placed in service and higher energy costs;
- $69 million of increases in retail electricity sales due to $48 million related to growth in the average number of retail residential and commercial customers and $21 million related to higher average retail customer usage;
- $48 million of increases in net wholesale electricity activities due to $126 million of lower volumes of wholesale electricity purchases and $98 million of higher average prices on wholesale electricity sales, partially offset by $91 million of higher average prices on wholesale electricity purchases and $85 million of lower volumes of wholesale electricity sales; and
- $19 million of increases in transmission revenue primarily due to higher contract prices.

These increases in gross margin were partially offset by:

- $182 million of increases in fuel costs due to $141 million of natural gas and $41 million of coal cost increases substantially due to higher average prices;
- $27 million of increases primarily due to the amortization of incurred power costs deferred in the prior year in accordance with established adjustment mechanisms; and
- $15 million of increases in transmission costs primarily due to new contracts.

Operations and maintenance expense decreased $13 million, or 1%, primarily due to:

- $27 million of decreases in employee expenses, substantially due to lower pension and other postretirement benefit expenses; partially offset by,
- $10 million of increases in DSM expense primarily due to increased spending in Oregon and Idaho; and
- $5 million of increases in bad debt expense, primarily in the commercial and industrial customer classes as a result of economic conditions.

Depreciation and amortization expense decreased $7 million, or 1%, primarily due to a $47 million reduction from the extension of the depreciable lives of certain property, plant and equipment as a result of PacifiCorp's 2008 depreciation study, substantially offset by higher assets placed in service.

Taxes, other than income taxes increased $11 million, or 11%, primarily due to increased property taxes driven by increased levels of assessable property.

Interest expense increased $29 million, or 9%, primarily due to higher average debt outstanding, partially offset by lower average rates on variable-rate debt.

Allowance for borrowed and equity funds increased $11 million, or 16%, primarily due to higher qualified construction work-in-progress balances, partially offset by lower average rates.

Income tax expense increased $18 million to $238 million for the year ended December 31, 2008 as compared to 2007, primarily due to higher pre-tax earnings, partially offset by higher production tax credits associated with increased production at wind-powered generating facilities. The effective tax rate was 34% for the year ended December 31, 2008 compared to 33% for the year ended December 31, 2007.

Liquidity and Capital Resources

As of December 31, 2009, PacifiCorp's total net liquidity available was $1.254 billion. The components of total net liquidity available are as follows (in millions):

Cash and cash equivalents	$	117
Available revolving credit facilities	$	1,395
Less:		
Short-term debt (credit facility borrowings or commercial paper)		-
Tax-exempt bond support and letters of credit		(258)
Net revolving credit facilities available	$	1,137
Total net liquidity available	$	1,254
Unsecured revolving credit facilities:		
Maturity date		2012-2013
Largest single bank commitment as a % of total (1)		15%

(1) An inability of financial institutions to honor their commitments could adversely affect PacifiCorp's short-term liquidity and ability to meet long-term commitments.

PacifiCorp's cash and cash equivalents were $117 million as of December 31, 2009, compared to $59 million as of December 31, 2008. PacifiCorp has restricted cash and investments included in other current assets and investments and other assets on the Consolidated Balance Sheets totaling $88 million and $93 million as of December 31, 2009 and 2008, respectively that principally relate to funds held in trust for coal mine reclamation.

Operating Activities

Net cash flows from operating activities for the years ended December 31, 2009 and 2008 were $1.5 billion and $992 million, respectively. The $508 million increase was primarily due to significantly lower average prices on wholesale electricity purchases, higher prices approved by regulators principally to recover prior years' investments in capital projects, significantly higher income tax deductions related to the impact of the repairs deduction and bonus depreciation, and net receipts of cash collateral on derivative contracts in the current year compared to net postings of cash collateral in the prior year, partially offset by lower average prices on wholesale sales.

Net cash flows from operating activities for the years ended December 31, 2008 and 2007 were $992 million and $824 million, respectively. The $168 million increase was primarily due to higher margins resulting from higher prices approved by regulators principally to recover increased costs of assets placed in service and higher energy costs, and higher income tax deductions driven by the impact of bonus depreciation, partially offset by higher fuel costs primarily due to higher average prices on natural gas and increased net postings of cash collateral on derivative contracts.

During 2008 and early 2009, the United States and global credit markets experienced historic dislocations and liquidity disruptions that caused financing to be unavailable in many cases. These circumstances materially impacted liquidity in the bank and debt capital markets during this period, making financing terms less attractive for borrowers who were able to find financing, and in other cases resulted in the unavailability of certain types of debt financing. In 2008 and 2009, the United States federal government enacted legislation in an attempt to stabilize the economy, increased the federal deposit insurance, invested billions of dollars in financial institutions and took other steps to infuse liquidity into the economy. The United States federal government TARP and the current accommodative monetary stance in the United States and most other industrialized countries have reduced liquidity concerns, relieved credit constraints and provided many financial institutions with the ability to strengthen their financial position. However, there is no certainty that the credit environment will improve and it is also possible that financial institutions may not be able to provide previously arranged funding under revolving credit facilities or other arrangements like those that PacifiCorp has established as potential sources of liquidity. It is also difficult to predict how the financial markets will react to the United States federal government's gradual withdrawal or removal of certain economic stimulus programs. Uncertainty in the credit markets may negatively impact PacifiCorp's ability to access funds on favorable terms or at all. If PacifiCorp is unable to access the bank and debt markets to meet liquidity and capital expenditure needs it may adversely affect the timing and amount of PacifiCorp's capital expenditures, consolidated financial condition and results of operations.

Capital Expenditures

PacifiCorp has significant future capital requirements. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of these reviews, which may consider, among other factors, changes in rules and regulations, including environmental; changes in income tax laws; general business conditions; load projections; system reliability standards; the cost and efficiency of construction labor, equipment and materials; and the cost and availability of capital. Expenditures for compliance-related items such as pollution control technologies, replacement generation, mine reclamation, hydroelectric relicensing, hydroelectric decommissioning and associated operating costs are generally incorporated into PacifiCorp's regulated retail rates.

PacifiCorp estimates that it will spend approximately $4.6 billion on capital projects over the next three years, excluding non-cash equity AFUDC. These capital projects include new generating resources, including renewables; transmission investments; installation of emissions control equipment on existing generating facilities; and distribution investments in new connections, lines and substations.

Forecasted capital expenditures are as follows for the years ended December 31 (in millions):

	2010	2011	2012
Forecasted capital expenditures [(1)]:			
Generation development	$ 180	$ 18	$ 232
Transmission system investment	451	423	667
Environmental	334	252	119
Other	660	679	558
Total	$ 1,625	$ 1,372	$ 1,576

(1) Excludes amounts for non-cash equity AFUDC.

The capital expenditure estimate for generation development projects provided above for the year ending December 31, 2010 includes $153 million for the remaining construction costs associated with the 111-MW Dunlap Ranch I wind-powered generating facility that is expected to be placed in service during 2010.

Income Taxes

In determining PacifiCorp's income taxes, management is required to interpret complex tax laws and regulations, which includes consideration of regulatory implications imposed by PacifiCorp's various regulatory jurisdictions. In preparing tax returns, PacifiCorp is subject to continuous examinations by federal, state and local tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. Although the ultimate resolution of PacifiCorp's federal, state and local tax examinations is uncertain, PacifiCorp believes it has made adequate provisions for these tax positions. The aggregate amount of any additional tax liabilities that may result from these examinations, if any, is not expected to have a material adverse impact on PacifiCorp's consolidated financial results. Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold based on the technical merits of the position.

PacifiCorp is required to pass income tax benefits related to certain property-related basis differences and other various differences on to its customers in most state jurisdictions. These amounts were recognized as a net regulatory asset totaling $401 million as of December 31, 2009 and will be included in regulated rates when the temporary differences reverse. Management believes the existing net regulatory assets are probable of inclusion in regulated rates. If it becomes no longer probable that these costs will be included in regulated rates, the related regulatory asset will be written off to operating income.

Revenue Recognition – Unbilled Revenue

Unbilled revenue was $214 million as of December 31, 2009. Revenue is recognized as electricity is delivered or services are provided. The determination of customer billings is based on a systematic reading of meters. At the end of each month, amounts of energy provided to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recorded. Factors that can impact the estimate of unbilled energy include, but are not limited to, seasonal weather patterns compared to normal, total volumes supplied to the system, line losses, economic impacts and composition of customer classes. Estimates are generally reversed in the following month and actual revenue is recorded based on subsequent meter readings. Historically, any differences between the actual and estimated amounts have been immaterial.

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in millions)

	As of December 31, 2009	As of December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 117	$ 59
Accounts receivable, net	619	609
Income taxes receivable from affiliates	249	43
Inventories:		
Materials and supplies	192	184
Fuel	187	155
Derivative contracts	108	174
Deferred income taxes	39	74
Other current assets	61	78
Total current assets	1,572	1,376
Property, plant and equipment, net	15,537	13,824
Regulatory assets	1,539	1,624
Derivative contracts	43	86
Investments and other assets	275	257
Total assets	$ 18,966	$ 17,167

The accompanying notes are an integral part of these consolidated financial statements.

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(Amounts in millions)

	As of December 31, 2009	As of December 31, 2008
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 553	$ 757
Accrued employee expenses	76	77
Accrued interest	111	89
Accrued taxes	67	73
Derivative contracts	85	130
Short-term debt	-	85
Current portion of long-term debt and capital lease obligations	16	144
Other current liabilities	105	111
Total current liabilities	1,013	1,466
Regulatory liabilities	838	821
Derivative contracts	410	490
Long-term debt and capital lease obligations	6,400	5,424
Deferred income taxes	2,625	2,025
Other long-term liabilities	948	874
Total liabilities	12,234	11,100
Commitments and contingencies (Note 13)		
Equity:		
PacifiCorp shareholders' equity:		
Preferred stock	41	41
Common equity:		
Common stock – 750 shares authorized, no par value, 357 shares issued and outstanding	-	-
Additional paid-in capital	4,379	4,254
Retained earnings	2,234	1,694
Accumulated other comprehensive loss, net	(6)	(2)
Total common equity	6,607	5,946
Total PacifiCorp shareholders' equity	6,648	5,987
Noncontrolling interest	84	80
Total equity	6,732	6,067
Total liabilities and equity	$ 18,966	$ 17,167

The accompanying notes are an integral part of these consolidated financial statements.

Revenue Recognition

Revenue is recognized as electricity is delivered or services are provided. Revenue recognized includes unbilled, as well as billed, amounts. As of December 31, 2009 and 2008, unbilled revenue was $214 million and $211 million, respectively, and is included in accounts receivable, net on the Consolidated Balance Sheets. Rates charged are established by regulators or contractual agreements.

The determination of sales to individual customers is based on the reading of the customer's meter, which is performed on a systematic basis throughout the month. At the end of each month, amounts of energy provided to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recorded. The estimate is reversed in the following month and actual revenue is recorded based on subsequent meter readings.

The monthly unbilled revenues of PacifiCorp are determined by the estimation of unbilled energy provided during the period, the assignment of unbilled energy provided to customer classes and the average rate per customer class. Factors that can impact the estimate of unbilled energy provided include, but are not limited to, seasonal weather patterns, customer usage patterns, historical trends, volumes, line losses, retail rate changes and composition of customer classes.

PacifiCorp records sales, franchise and excise taxes collected directly from customers and remitted directly to the taxing authorities on a net basis on the Consolidated Statements of Operations.

Income Taxes

Berkshire Hathaway includes PacifiCorp in its United States federal income tax return. Consistent with established regulatory practice, PacifiCorp's provision for income taxes has been computed on a stand-alone basis.

Deferred tax assets and liabilities are based on differences between the financial statement and tax basis of assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income are charged or credited directly to other comprehensive income. Changes in deferred income tax assets and liabilities that are associated with income tax benefits related to certain property-related basis differences and other various differences that PacifiCorp is required to pass on to its customers in most state jurisdictions are charged or credited directly to a regulatory asset or liability. These amounts were recognized as a net regulatory asset totaling $401 million and $409 million as of December 31, 2009 and 2008, respectively, and will be included in regulated rates when the temporary differences reverse. Other changes in deferred income tax assets and liabilities are included as a component of income tax expense.

Investment tax credits are generally deferred and amortized over the estimated useful lives of the related properties or as prescribed by various regulatory jurisdictions. Investment tax credits included in other long-term liabilities on the Consolidated Balance Sheets were $46 million and $50 million as of December 31, 2009 and 2008, respectively.

In determining PacifiCorp's income taxes, management is required to interpret complex tax laws and regulations, which includes consideration of regulatory implications imposed by PacifiCorp's various regulatory jurisdictions. In preparing tax returns, PacifiCorp is subject to continuous examinations by federal, state and local tax authorities that may give rise to different interpretations of these complex laws and regulations. Due to the nature of the examination process, it generally takes years before these examinations are completed and these matters are resolved. Although the ultimate resolution of PacifiCorp's federal, state and local tax examinations is uncertain, PacifiCorp believes it has made adequate provisions for these tax positions. The aggregate amount of any additional tax liabilities that may result from these examinations, if any, is not expected to have a material adverse effect on PacifiCorp's consolidated financial results. Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold based on the technical merits of the position. PacifiCorp's unrecognized tax benefits are primarily included in accrued taxes and other long-term liabilities on the Consolidated Balance Sheets. Estimated interest and penalties, if any, related to uncertain tax positions are included as a component of income tax expense on the Consolidated Statements of Operations.

(3) Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following as of December 31 (in millions):

	Depreciation Life	2009	2008
Property, plant and equipment:			
Generation	15 – 80 years	$ 9,022	$ 8,155
Transmission	25 – 75 years	3,346	3,057
Distribution	44 – 52 years	5,332	5,109
Intangible plant (1)	5 – 50 years	752	721
Other	5 – 29 years	1,878	1,837
Property, plant and equipment in service		20,330	18,879
Accumulated depreciation and amortization		(6,623)	(6,275)
Net property, plant and equipment in service		13,707	12,604
Construction work-in-progress		1,830	1,220
Total property, plant and equipment, net		$ 15,537	$ 13,824

(1) Computer software costs included in intangible plant are initially assigned a depreciable life of 5 to 10 years.

Utility Plant Acquisition

On September 15, 2008, after having received the required regulatory approvals, PacifiCorp acquired from TNA Merchant Projects, Inc., an affiliate of Suez Energy North America, Inc., 100% of the equity interests of Chehalis Power Generating, LLC, an entity owning a 520-megawatt ("MW") natural gas-fired generating facility located in Chehalis, Washington. The total cash purchase price was $308 million and the estimated fair value of the acquired entity was primarily allocated to the facility. Chehalis Power Generating, LLC was merged into PacifiCorp immediately following the acquisition. The results of the facility's operations have been included in PacifiCorp's Consolidated Financial Statements since the acquisition date.

Unallocated Acquisition Adjustments

PacifiCorp has unallocated acquisition adjustments that represent the excess of costs of the acquired interests in property, plant and equipment purchased from the entity that first devoted the assets to utility service over their net book value in those assets. These unallocated acquisition adjustments included in other property, plant and equipment had an original cost of $157 million as of December 31, 2009 and 2008, and accumulated depreciation of $96 million and $91 million as of December 31, 2009 and 2008, respectively.

Depreciation Study

In August 2007, PacifiCorp filed applications with the regulatory commissions in Utah, Oregon, Wyoming, Washington and Idaho to change its rates of depreciation prospectively based on a new depreciation study. PacifiCorp received approval to change the depreciation rates effective January 1, 2008. The Oregon Public Utility Commission ("OPUC") order required additional modifications related to the depreciation lives of coal-fired generating facilities, which were approved in August 2008. The revised depreciation rates generally reflect an extension of the lives of PacifiCorp's assets. The most significant change resulted in an increase in the range of depreciable lives for steam plant from 20 – 43 years to 20 - 57 years. The revised depreciation rates resulted in a benefit to income before income tax expense during the year ended December 31, 2008 of approximately $47 million.

(5) Regulatory Matters

Regulatory Assets and Liabilities

Regulatory assets represent costs that are expected to be recovered in future regulated rates. PacifiCorp's regulatory assets reflected on the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	Weighted Average Remaining Life	2009	2008
Employee benefit plans [1]	9 years	$ 576	$ 564
Net unrealized loss on derivative contracts [2]	7 years	367	442
Deferred income taxes [3]	33 years	422	440
Other	Various	174	178
Total		$ 1,539	$ 1,624

(1) Substantially represents amounts not yet recognized as a component of net periodic benefit cost that are expected to be included in regulated rates when recognized. Amounts are partially offset by $19 million and $26 million of the unamortized portion of net regulatory deferrals related to curtailment gains and the measurement date change transitional adjustment as of December 31, 2009 and 2008, respectively.

(2) Amounts represent net unrealized losses related to derivative contracts for which the settled amounts are expected to be included in regulated rates.

(3) Represents deferred income tax assets and liabilities that are associated with income tax benefits related to certain property-related basis differences and other various differences that PacifiCorp is required to pass on to its customers in most state jurisdictions.

PacifiCorp had regulatory assets not earning a return on investment of $1.385 billion and $1.460 billion as of December 31, 2009 and 2008, respectively.

Regulatory liabilities represent income to be recognized or amounts to be returned to customers in future periods. PacifiCorp's regulatory liabilities reflected on the Consolidated Balance Sheets consist of the following as of December 31 (in millions):

	Weighted Average Remaining Life	2009	2008
Cost of removal [1]	33 years	$ 755	$ 732
Deferred income taxes	Various	21	31
Other	Various	62	58
Total		$ 838	$ 821

(1) Amounts represent estimated costs, as accrued through depreciation rates and exclusive of ARO liabilities, of removing electric utility assets in accordance with accepted regulatory practices.

Rate Matters

Oregon Senate Bill 408 ("SB 408")

SB 408 requires PacifiCorp and other large regulated, investor-owned utilities that provide electric or natural gas service to Oregon customers to file an annual report each October with the OPUC comparing income taxes collected and income taxes paid, as defined by the statute and its administrative rules. If after its review, the OPUC determines the amount of income taxes collected differs from the amount of income taxes paid by more than $100,000, the OPUC must require the public utility to establish an automatic adjustment clause to account for the difference.

In April 2008, the OPUC approved the recovery of $35 million, plus interest, related to the 2006 tax year. The OPUC's April 2008 order on PacifiCorp's 2006 tax report is being challenged by the Industrial Customers of Northwest Utilities, which filed a petition in May 2008 with the Oregon Court of Appeals seeking judicial review of the April 2008 order. PacifiCorp believes the outcome of these proceedings will not have a material impact on its consolidated financial results.

In October 2009, PacifiCorp filed its 2008 tax report under SB 408. PacifiCorp's filing for the 2008 tax year indicated that PacifiCorp paid $38 million more in income taxes than was collected in rates from its retail customers. In January 2010, PacifiCorp entered into a stipulation with OPUC staff and the Citizens' Utility Board of Oregon, which if approved by the OPUC, would authorize a lower recovery totaling $2 million, including interest. The OPUC has until April 2010 to issue an order. No amounts have been recorded in relation to the 2008 tax report.

(12) Income Taxes

Income tax expense (benefit) consists of the following for the years ended December 31 (in millions):

	2009	2008	2007
Current:			
Federal	$ (417)	$ (64)	$ 162
State	6	(6)	19
Total	(411)	(70)	181
Deferred:			
Federal	619	276	41
State	30	36	6
Total	649	312	47
Investment tax credits	(4)	(4)	(8)
Total income tax expense	$ 234	$ 238	$ 220

A reconciliation of the federal statutory income tax rate to the effective income tax rate applicable to income before income tax expense is as follows for the years ended December 31:

	2009	2008	2007
Federal statutory tax rate	35%	35%	35%
State taxes, net of federal benefit	3	3	3
Tax credits [(1)]	(6)	(5)	(3)
Other	(2)	1	(2)
Effective income tax rate	30%	34%	33%

(1) Primarily attributable to the impact of federal renewable electricity production tax credits related to qualifying wind-powered generating facilities that extend 10 years from the date the facilities were placed in service.

The net deferred income tax liability consists of the following as of December 31 (in millions):

	2009	2008
Deferred tax assets:		
Regulatory liabilities	$ 326	$ 319
Employee benefits	247	249
Derivative contracts	140	169
Other	169	153
	882	890
Deferred tax liabilities:		
Property, plant and equipment	(2,599)	(1,940)
Regulatory assets	(838)	(881)
Other	(31)	(20)
	(3,468)	(2,841)
Net deferred tax liability	$ (2,586)	$ (1,951)
Reflected as:		
Deferred income taxes – current assets	$ 39	$ 74
Deferred income taxes – non-current liabilities	(2,625)	(2,025)
	$ (2,586)	$ (1,951)

The sale of PacifiCorp to MEHC on March 21, 2006 triggered certain tax related events that remain unsettled. PacifiCorp does not believe that the tax, if any, arising from the ultimate settlement of these events will have a material impact on its consolidated financial results.

As of December 31, 2009 and 2008, PacifiCorp had a net liability of $75 million and a net asset of $13 million, respectively, for uncertain tax positions. As of December 31, 2009 and 2008, the net liability for uncertain tax positions included $6 million and the net asset for uncertain tax positions included $14 million, respectively, of tax positions that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits, other than applicable interest and penalties, would not affect PacifiCorp's effective tax rate. The current portion of uncertain tax positions is included in accrued taxes and the non-current portion is included in other long-term liabilities in the Consolidated Balance Sheets.

The United States Internal Revenue Service has closed its examination of PacifiCorp's income tax returns through the 2003 tax year. In most cases, state jurisdictions have closed their examinations of PacifiCorp's income tax returns through 1993.

PacifiCorp adopted authoritative guidance related to uncertain tax positions (included in ASC Topic 740, "Income Taxes") effective January 1, 2007 and had a net asset of $22 million for uncertain tax positions. PacifiCorp recognized a net increase in the asset of $22 million as a cumulative effect of adopting this guidance, which was offset by increases in beginning retained earnings of $13 million and deferred income tax liabilities of $9 million on the Consolidated Balance Sheets.

(16) Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net is included in PacifiCorp shareholders' equity on the Consolidated Balance Sheets and consists of unrecognized amounts on retirement benefits of $6 million, net of tax of $3 million, and $2 million, net of tax of $2 million, as of December 31, 2009 and 2008, respectively.

(17) Variable-Interest Entities

PacifiCorp holds an undivided interest in 50% of the 474-MW Hermiston generating facility (refer to Note 4), procures 100% of the fuel input into the generating facility and subsequently receives 100% of the generated electricity, 50% of which is acquired through a long-term power purchase agreement. As a result, PacifiCorp holds a variable interest in the joint owner of the remaining 50% of the facility and is the primary beneficiary. PacifiCorp has been unable to obtain the information necessary to consolidate the entity because the entity has not agreed to supply the information due to the lack of a contractual obligation to do so. PacifiCorp continues to request from the entity the information necessary to perform the consolidation; however, no information has yet been provided by the entity. Cost of the electricity purchased from the joint owner was $36 million during each of the years ended December 31, 2009, 2008 and 2007. The entity is operated by the equity owners and PacifiCorp has no risk of loss in relation to the entity in the event of a disaster.

(18) Related-Party Transactions

PacifiCorp has an intercompany administrative services agreement with its indirect parent company, MEHC. Services provided by PacifiCorp and charged to affiliates relate primarily to administrative services, financial statement preparation and direct-assigned employees. Receivables associated with these activities were $- million and $1 million as of December 31, 2009 and 2008, respectively. Services provided by affiliates and charged to PacifiCorp relate primarily to the administrative services provided under the intercompany administrative services agreement among MEHC and its affiliates. These expenses totaled $9 million during each of the years ended December 31, 2009, 2008 and 2007. Payables associated with these expenses were $2 million and $1 million as of December 31, 2009 and 2008, respectively.

PacifiCorp engages in various transactions with several of its affiliated companies in the ordinary course of business. Services provided by affiliates in the ordinary course of business and charged to PacifiCorp relate primarily to the transportation of natural gas and relocation services. These expenses totaled $3 million, $6 million and $5 million during the years ended December 31, 2009, 2008 and 2007, respectively. Payables associated with these expenses were $1 million and $2 million as of December 31, 2009 and 2008, respectively.

PacifiCorp has long-term transportation contracts with Burlington Northern Santa Fe, LLC ("BNSF"), a wholly owned subsidiary of Berkshire Hathaway and PacifiCorp's ultimate parent company. Transportation costs under these contracts were $29 million, $32 million and $31 million during the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009 and 2008, PacifiCorp had $1 million and $2 million of accounts payable to BNSF outstanding under these contracts, including indirect payables related to a jointly owned facility.

PacifiCorp participates in a captive insurance program provided by MEHC Insurance Services Ltd. ("MISL"), a wholly owned subsidiary of MEHC. MISL covers all or significant portions of the property damage and liability insurance deductibles in many of PacifiCorp's current policies, as well as overhead distribution and transmission line property damage. PacifiCorp has no equity interest in MISL and has no obligation to contribute equity or loan funds to MISL. Premium amounts are established based on a combination of actuarial assessments and market rates to cover loss claims, administrative expenses and appropriate reserves, but as a result of regulatory commitments are capped through December 31, 2010. Certain costs associated with the program are prepaid and amortized over the policy coverage period expiring March 20, 2010. Premium expenses were $7 million during each of the years ended December 31, 2009, 2008 and 2007. Prepayments to MISL were $2 million as of December 31, 2009 and 2008. Receivables for claims were $10 million and $7 million as of December 31, 2009 and 2008, respectively.

PacifiCorp is party to a tax-sharing agreement and is part of the Berkshire Hathaway United States federal income tax return. As of December 31, 2009 and 2008, income taxes receivable from MEHC were $249 million and $43 million, respectively.