



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

October 6, 2008

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
PO Box 47250
Olympia, WA 98504 – 7250

Attn: David W. Danner
Executive Director and Secretary

**RE: Advice 08-05
Revision of Schedule 98 – Adjustment Associated with the Pacific Northwest
Electric Power Planning and Conservation Act**

Dear Mr. Danner:

In accordance with RCW 80.28.060 and WAC 480-80-105, PacifiCorp d/b/a Pacific Power & Light Company (Pacific Power) hereby files the enclosed tariff sheet to revise Schedule 98 as part of Pacific Power's currently effective Tariff WN-U-74. This schedule provides residential and certain other Pacific Power customers with a direct pass through of monetary benefits received from the Bonneville Power Administration (BPA) under the Residential Exchange Program pursuant to a Residential Purchase and Sale Agreement, Contract No. 08PB-11970 (the Agreement) between Pacific Power and BPA. A copy of the Agreement as submitted to FERC is provided as Attachment D.

SUMMARY OF TARIFF REVISION

The Commission previously authorized Pacific Power to implement a balancing account for tracking the receipt of benefits from BPA and the payment of benefits to customers under Schedule 98. The balancing account may contain positive or negative balances. Pacific Power currently has a negative balance in the balancing account in the amount of \$1.94 million. Pacific Power proposes to amortize this amount over twelve months once the credit commences flowing to our qualifying Washington customers. As a result, Pacific Power proposes to pass on a net balance of \$4.78 million to our qualifying customers in the first 12 months. A typical residential customer using 1,300 kWh per month will receive a credit of \$3.31 per month which represents a bill reduction of approximately 3.6%. See Attachments C and E for the revised tariff and a worksheet showing the allocation of benefits.

BPA PROCESS AND RESULTING BENEFITS

The Residential Exchange Program is contained in section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) and is a mechanism for allocating a share of the economic benefits of the federal hydroelectric system to the residential and small farm customers of the Northwest investor-owned utilities. This program is also available for publicly-owned utilities.

In contrast to BPA's public power utility customers, which benefit from the federal hydroelectric system primarily through their preferential access to low-cost federal power, investor-owned utility residential and small farm customers share in the benefits of the federal hydroelectric system through the Residential Exchange Program - typically receiving bill credits instead of low-cost federal power. These benefits, in total, are directly passed through to Pacific Power's residential and small farm customers in Oregon, Washington, and Idaho as a credit on their electric bills.

Under the Agreement, BPA acquires power from Pacific Power at Pacific Power's average system cost (ASC) and in exchange, sells an equivalent amount of power to Pacific Power at BPA's priority Firm Power Exchange (PF Exchange) rate. In practice, no actual power deliveries are made by Pacific Power or BPA under the Agreement. Instead, BPA provides the benefits to Pacific Power who then passes such benefits through to its eligible customers. The benefits paid by BPA are subject to certain adjustments in the Agreement.¹

The Agreement provides that the pass through to eligible customers will be equal to a forecasted amount of approximately \$6.72 million to our Washington customers for the twelve months ending September 30, 2009 (fiscal year 2009) based on forecasted loads, the PF Exchange rate adopted by BPA for Pacific Power in BPA's 2007 Supplemental Wholesale Power Rate Case (WP-07S), and the initial ASC filing submitted by Pacific Power to BPA. This amount will be reduced by the "Lookback Amount" determined by BPA for Pacific Power in BPA's WP-07S proceeding.

In the WP-07S proceeding, BPA determined that the amount it had allegedly overpaid to investor-owned utilities, including Pacific Power, between October 1, 2001 and October 1, 2008. The alleged overpayment by Pacific Power is referred to as the "Lookback Amount." Pacific Power, as well as the other investor-owned utilities, have objected, and continue to object, to BPA's determination of any overpayment and BPA's recovery of this amount.

¹ For example, BPA may in the future choose to acquire "in lieu" power and deliver power to Pacific Power rather than make benefits payments to Pacific Power.

BPA submitted its WP-07S rates to FERC on September 29, 2008 to become effective October 1, 2008, and its 2008 ASC Methodology to FERC on July 14, 2008 to become effective October 1, 2008.²

Based on BPA's 2008 ASC Methodology, Pacific Power submitted its ASC Appendix 1 filing to BPA on September 30, 2008 and BPA is expected to complete its review in April 2009. Once BPA has reviewed the ASC, Pacific Power will submit its ASC to FERC. As noted above, BPA's PF Exchange rate and BPA's 2008 ASC Methodology governing the development of Pacific Power's ASC are subject to FERC review, and are subject to change as a result of that review, as well as through further judicial review. As a result, the benefits to which Pacific Power's customers are entitled are subject to possible adjustment.

NOTICE INFORMATION

In accordance with WAC 480-80-122, the Company is requesting this Schedule become effective with less than statutory notice for service rendered on or after November 1, 2008. Less than statutory notice is warranted given the need to resume benefits to eligible customers as soon as benefits are available from BPA.³

Pursuant to WAC 480-100-193, Pacific Power has posted the proposed tariff change on its website. This tariff change does not increase recurring charges or restrict access to services. WAC 480-100-195(3). Thus, notice of the proposed tariff change is being given to the public coincident with the date of this transmittal letter through web, telephone and mail access in accordance with WAC 480-100-193.

CONTACT INFORMATION

It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

PacifiCorp Washington Dockets
PacifiCorp
825 Multnomah Street, Suite 2000
Portland, OR 97232
Telephone: (503) 813-5934
Facsimile: (503) 813-6060
Email: washingtondockets@pacificorp.com

² FERC Docket Nos. EF06-2011 and EF08-2011. FERC adopted interim rules on BPA's 2008 ASC Methodology effective October 1, 2008 (124 FERC ¶61,312).

³ The information required in WAC 480-80-122 has been included in this filing letter.

With a copy to:

Natalie L. Hocken
Vice President & General Counsel
Pacific Power
825 Multnomah Street, Suite 2000
Portland, OR 97232
Telephone: (503) 813-7205
Facsimile: (503) 813-7262
Email: natalie.hocken@pacificorp.com

It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

By E-Mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon, 97232

By fax: (503) 813-6060

Informal questions should be directed to Cathie Allen, Regulatory Manager, at (503) 813-5934.

Sincerely,



Andrea L. Kelly
Vice President, Regulation

Attachments

- Attachment A: Notice
- Attachment B: Summary Page of Tariff
- Attachment C: Tariff
- Attachment D: Residential Purchase and Sale Agreement
- Attachment E: Allocation of Benefits
- Attachment F: Calculation of Proposed Rate Adjustment
- Attachment G: Residential Billing Comparison

ATTACHMENT A

**NOTICE
PACIFIC POWER**

Pursuant to Washington Law (including without limitation RCW 80.28.050 and -060) and the Washington Utilities and Transportation Commission's ("Commission") Rules & Regulations (including without limitation WAC 480-80-121), Pacific Power has filed with the Commission an original tariff schedule for electric service in the State of Washington.

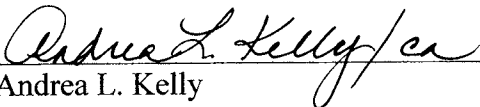
Overview

The purpose of this filing is to revise Pacific Power's currently effective Schedule 98, Adjustment Associated with the Pacific Northwest Electric Power Planning and Conservation Act. This schedule provides residential and certain other Pacific Power customers with a direct pass through of monetary benefits received from the Bonneville Power Administration (BPA) under the Residential Exchange Program pursuant to a Residential Purchase and Sale Agreement, Contract No. 08PB-11970 (the Agreement) between Pacific Power and BPA. The Commission previously authorized Pacific Power to implement a balancing account for tracking the receipt of benefits from BPA and the payment of benefits to customers under Schedule 98. The balancing account may contain positive or negative balances. Pacific Power currently has a negative balance in the balancing account in the amount of \$1.94 million. Pacific Power proposes to amortize this amount over twelve months once the credit commences flowing to our qualifying Washington customers. As a result, Pacific Power proposes to pass on a net balance of \$4.78 million to our qualifying customers in the first 12 months.

In accordance with WAC 480-80-122, the Company is requesting this Schedule become effective with less than statutory notice for service rendered on or after November 1, 2008. Less than statutory notice is warranted given the need to resume benefits to eligible customers as soon as benefits are available from BPA.

DATED: October 6, 2008

PACIFIC POWER

By 
Andrea L. Kelly
Vice President, Regulation

ATTACHMENT B

Attachment B

The proposed tariff sheets to be revised in the Company's currently effective Tariff WN-U-74 are designated as follows:

Fourth Revision of Sheet No. 98	Schedule 98	Adjustment Associated with the Pacific Northwest Electric Power Planning and Conservation Act
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