

Pacific Power General Business Update March 31, 2014

Washington Utilities and Transportation Commission



Let's turn the answers on.

Agenda

- Introduction and General Business Update
- Business Plan Update
- Generation Update
- Transmission Update
- Regulatory Update
- Legislative Update
- Environmental Update
- Wrap-up

Pat Reiten
Doug Stuver
Micheal Dunn
Natalie Hocken
Bryce Dalley
Scott Bolton
Mary Wiencke
Pat Reiten

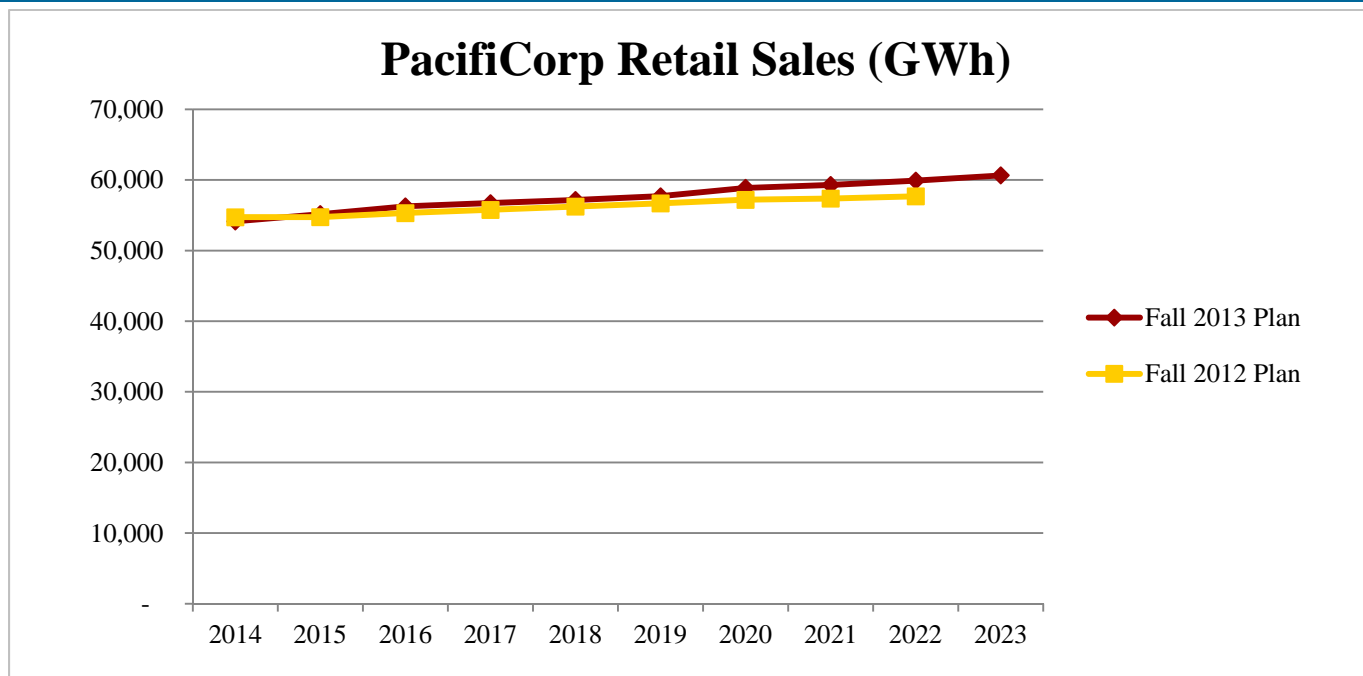
Pat Reiten
President & CEO
Pacific Power

Introductions and General Business Update

Doug Stuver
Senior Vice President & CFO
PacifiCorp

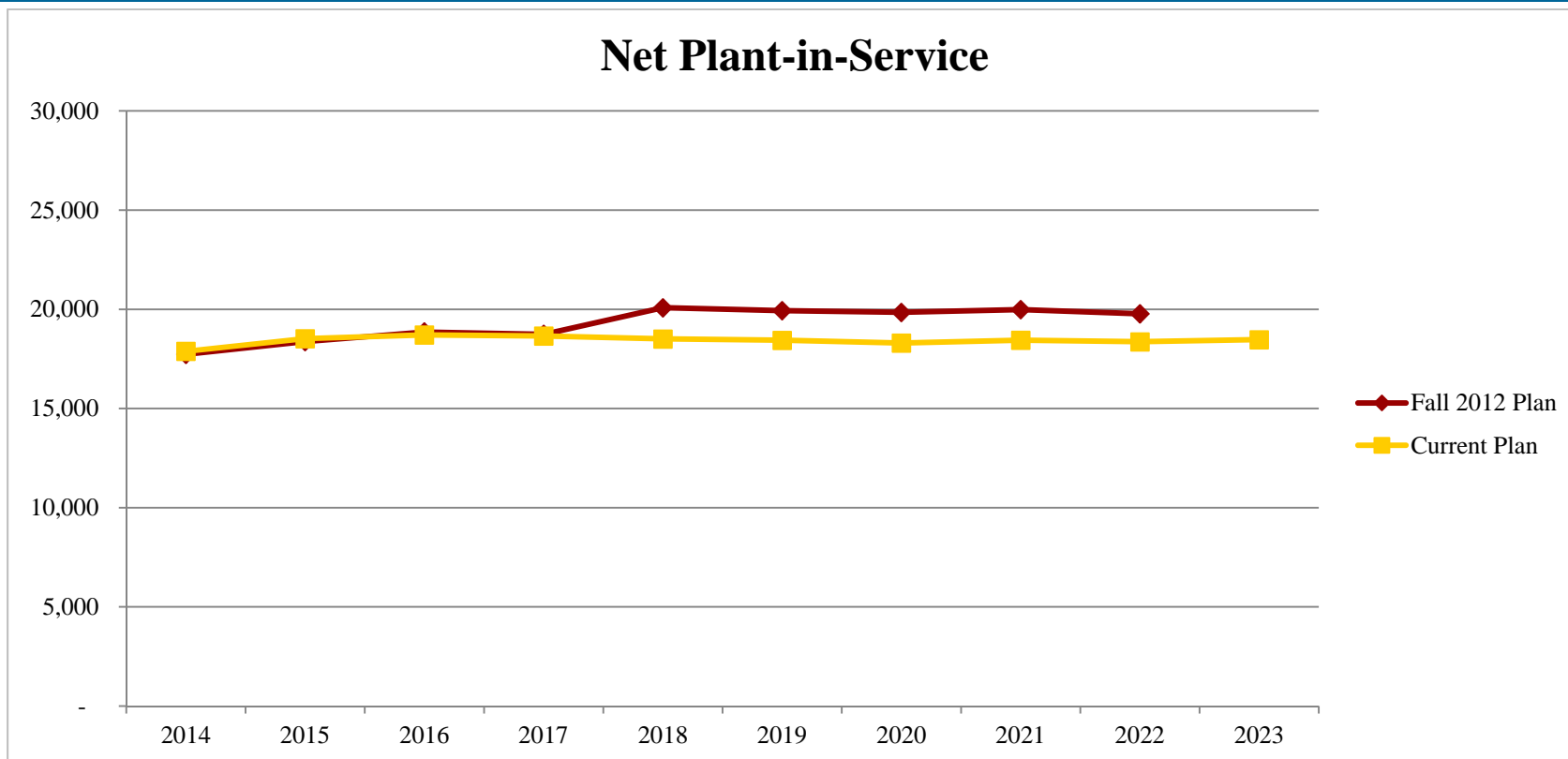
Business Plan Update

Total Company Load Growth



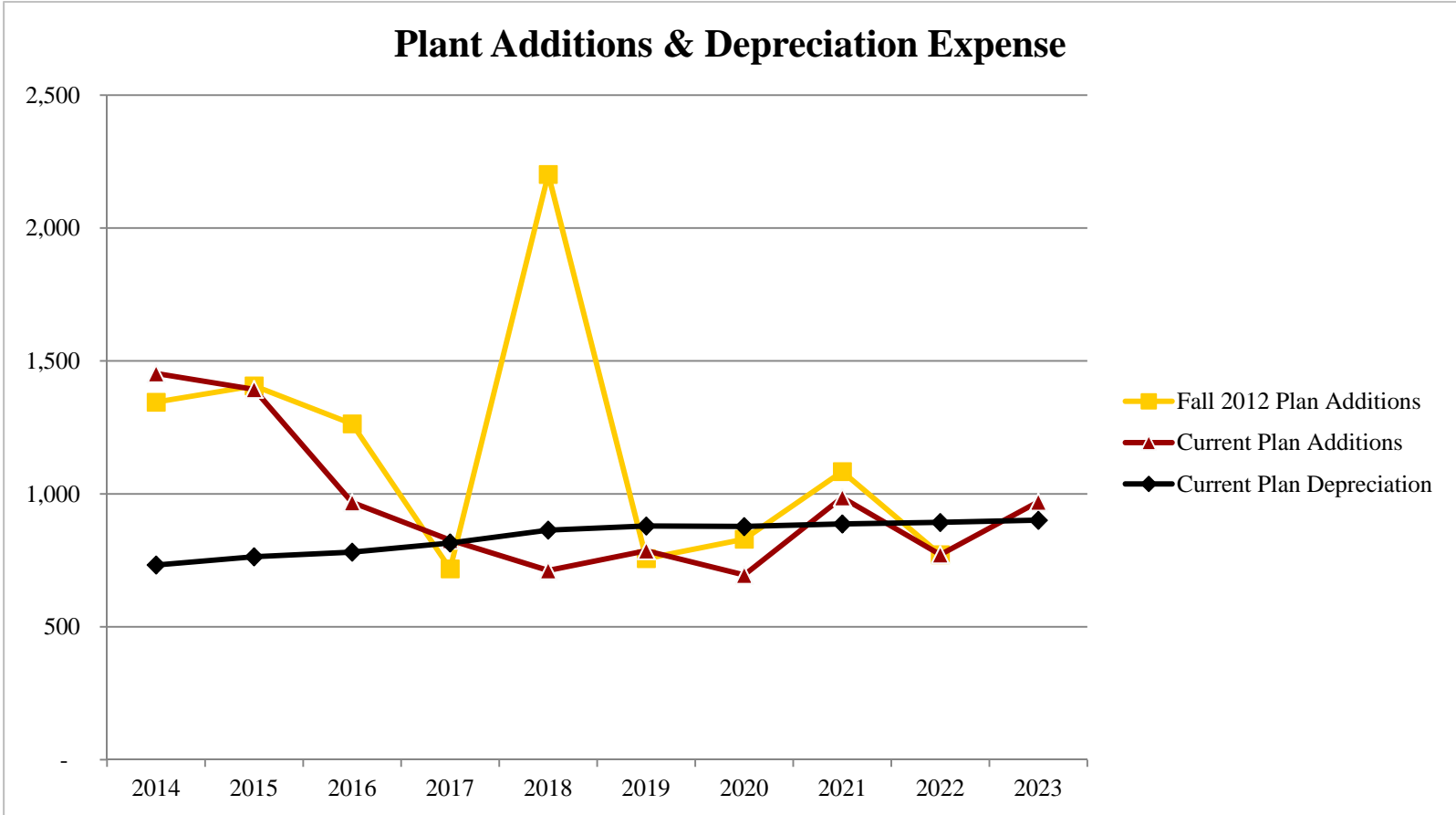
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Retail Sales (GWH)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential	15,847	15,782	15,904	15,952	16,070	16,199	16,348	16,430	16,575	16,747
Commercial	17,253	17,579	17,866	18,103	18,267	18,405	18,606	18,705	18,866	19,096
Industrial	19,346	20,126	20,820	20,982	21,146	21,414	22,251	22,480	22,782	23,133
Irrigation	1,263	1,262	1,261	1,260	1,259	1,258	1,257	1,255	1,255	1,253
Other	420	417	418	418	417	417	419	417	417	417
Total Sales by Class	54,129	55,166	56,269	56,715	57,159	57,693	58,881	59,287	59,895	60,646
Fall 2012 Plan	54,722	54,731	55,307	55,761	56,231	56,686	57,198	57,358	57,678	

Plant-in-Service



(\$ millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Plant-in-Service	17,882	18,522	18,708	18,655	18,507	18,438	18,300	18,441	18,362	18,468
Growth Rate		3.6%	1.0%	-0.3%	-0.8%	-0.4%	-0.7%	0.8%	-0.4%	0.6%

Plant-in-Service (cont.)



(\$ millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fall 2012 Plan Additions	1,345	1,406	1,264	718	2,202	757	830	1,084	772	
Current Plan Additions	1,453	1,393	968	826	712	786	695	986	771	970
Current Plan Depreciation	732	763	781	815	864	879	877	887	893	901

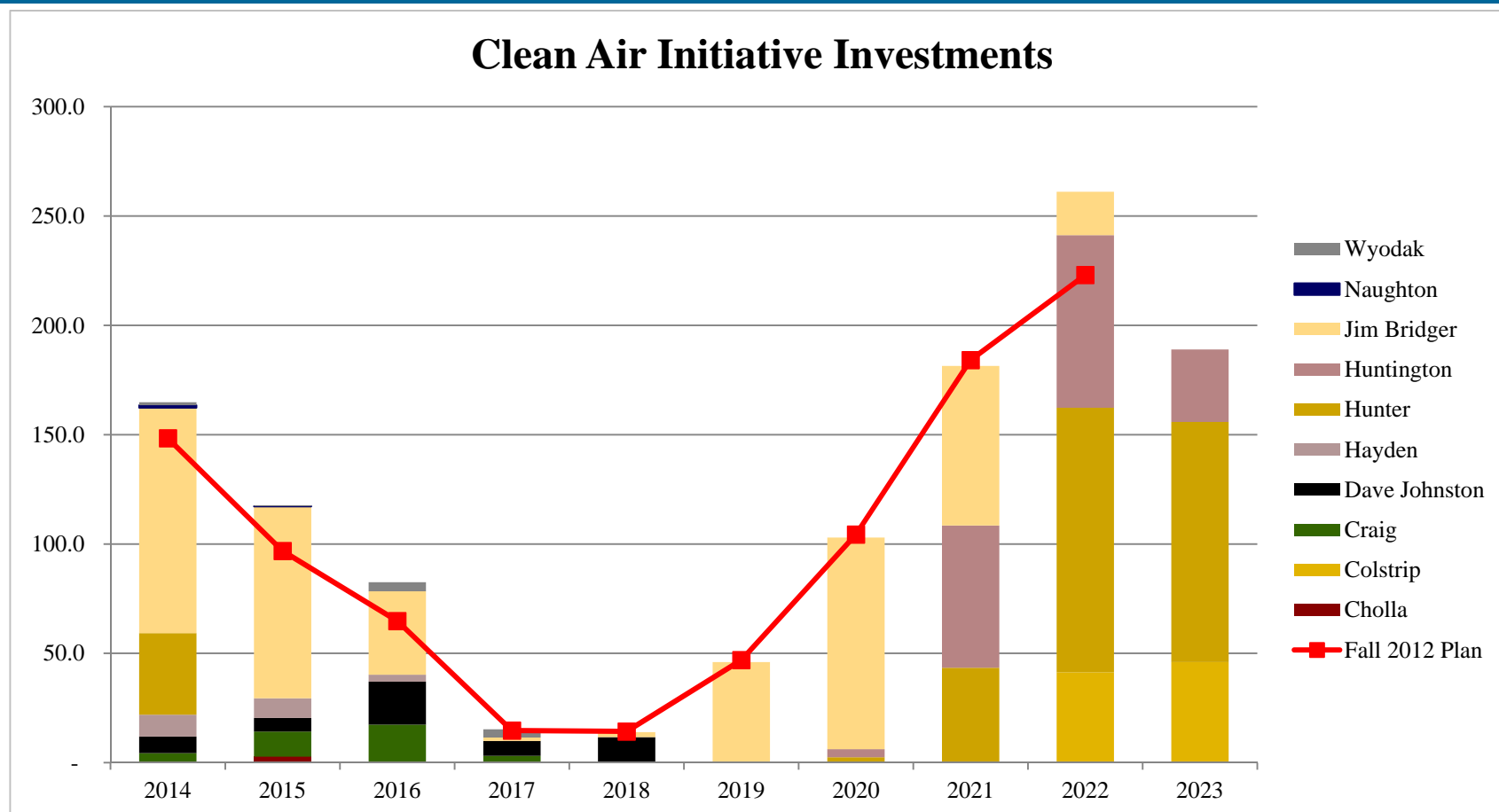
Capital Expenditures Overview

CAPITAL EXPENDITURES - \$ Millions

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2023
Construction Projects											
New Wind	0.3	0.3	0.3	0.3	0.8	2.4	3.0	2.9	3.1	178.8	192.3
New Gas-Fueled Plants	29.0	-	-	-	-	1.2	1.2	56.4	166.6	122.7	377.1
Environmental	169.5	148.1	99.7	42.8	38.5	76.1	118.2	198.0	262.3	192.7	1,345.9
Other Generation	-	-	1.8	24.0	12.5	-	-	-	-	-	38.3
Carbon Plant Decommissioning	3.2	1.8	-	-	-	-	-	-	-	-	5.0
Blundell Well Integration	5.2	-	-	-	-	-	-	-	-	-	5.2
Naughton Gas Conversion	18.4	10.5	-	-	-	-	-	-	-	-	28.9
Generation Interconnect	42.9	32.7	4.2	9.6	5.3	15.8	18.3	5.5	5.6	5.7	145.8
Major Transmission/Grid Projects	211.7	209.3	124.9	96.9	72.0	59.3	73.2	51.0	8.6	136.8	1,043.7
Total Construction Projects	480.1	402.8	230.9	173.7	129.1	154.8	213.8	313.9	446.3	636.8	3,182.1
Operating Projects											
Thermal Operations	124.7	263.1	234.4	170.6	197.9	261.0	192.7	208.6	159.0	159.7	1,971.7
Wind Operations	11.4	8.7	8.7	8.8	8.8	12.1	9.3	9.3	9.7	9.8	96.8
Solar Operations	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.8
Hydro Ops / license Implementation	26.0	21.2	16.2	28.9	18.6	29.7	62.4	51.3	36.2	52.3	342.8
Mining (Excl. Bridger Coal Co.)	15.1	9.2	5.9	5.1	6.3	2.2	5.5	2.3	2.3	2.4	56.2
Distribution	186.3	198.6	192.0	224.4	221.1	224.2	221.8	240.3	246.3	256.3	2,211.4
Transmission	100.6	97.4	100.3	99.9	106.9	87.9	114.5	80.9	84.8	103.9	977.1
Other	74.3	69.7	70.0	73.8	82.0	84.1	78.9	80.6	82.6	90.3	786.4
Total Operation Projects	538.6	667.9	627.6	611.7	641.7	701.2	685.4	673.3	621.0	674.8	6,443.2
TOTAL CAPITAL EXPENDITURES *	1018.7	1070.7	858.5	785.4	770.8	856.0	899.2	987.1	1067.3	1311.6	9,625.3

*Total Capital Expenditure figures do not include AFUDC. Amounts represent cash spend by year, and not changes to electric plant in service.

Construction Projects - Environmental

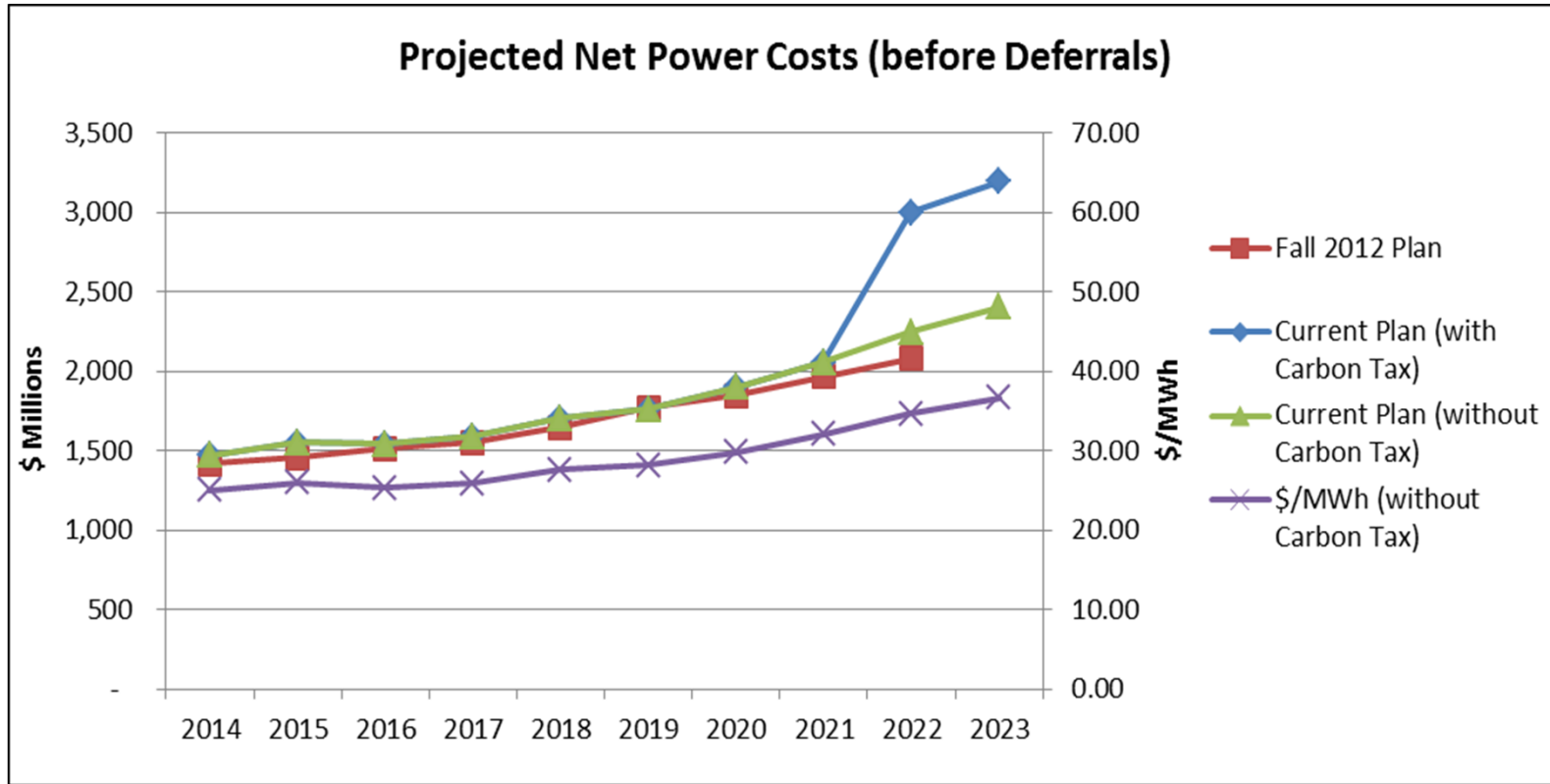


Clean Air Initiatives (excluding AFUDC)

(\$ Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fall 2012 Plan	148	97	65	15	14	47	104	184	223	
Current Plan	165	118	83	15	14	46	103	181	261	189

Net Power Costs



Net Power Costs (Before Deferrals)

\$ Millions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fall 2012 Plan	1,421	1,459	1,515	1,551	1,648	1,771	1,846	1,966	2,081	
Current Plan (with Carbon Tax)	1,474	1,553	1,542	1,592	1,706	1,762	1,902	2,059	3,000	3,194
Current Plan (without Carbon Tax)	1,474	1,553	1,542	1,592	1,706	1,762	1,902	2,059	2,249	2,405
\$/MWh (without Carbon Tax)	25.10	26.00	25.30	25.90	27.60	28.20	29.80	32.10	34.71	36.68

Michael Dunn
President & CEO
PacifiCorp Energy

Generation Update

Minimize Customer Impacts

- Move resources out of Bonneville Power Administration control area into PacifiCorp control area
 - Leaning Juniper (100 MW) – move completed April 2013
 - Goodnoe Hills (94 MW) – move completed April 2013
 - Chehalis (520 MW) – move completed November 2013
- Reduce net power costs for PacifiCorp retail customers
 - Eliminate exposure to oversupply management protocol for Goodnoe Hills and Leaning Juniper
 - Eliminate exposure to dispatcher standing order 216 for Goodnoe Hills and Leaning Juniper
 - Eliminate exposure to dispatchable energy resource balancing service for Chehalis
 - Allow Chehalis to be operated to supply reserves
 - These cost exposures partially offset by modest increase in regulating reserve requirement in PacifiCorp control area

Lewis River Implementation Overview

Lewis River Project (510 MW)

- Merwin (136 MW)
- Yale (134 MW)
- Swift (240 MW)

Aquatic Measures

- Fish passage
- Aquatic Habitat Fund
- Monitoring and Evaluation
- Fish Hatcheries

Wildlife Measures

- Manage 11,000 acres for wildlife
- Acquired 2,000 more acres

Recreation Measures

- Site improvements
- Construction of Eight additional miles of non-motorized trails



Merwin Dam Upstream Fish Passage

- Began partial operation December 2013
- Operates 24/7 to capture Chinook and coho salmon and steelhead
- Capacity to handle 3,700 adult fish per day all of which must pass upstream or to hatcheries within 24 hours of capture



Swift Dam Downstream Fish Passage

- Placed in service November 2012
- Chinook, coho, steelhead and cutthroat species are captured and transported downstream
- Capacity of up to 76,000 smolts in a 24-hour period



North Umpqua Implementation Overview

North Umpqua Project (194 MW)

- Located entirely on public land (USDA-FS and BLM)
- Eight diversion dams, 10 generating units
- Certified low impact by the Low Impact Hydropower Institute

Aquatic Measures

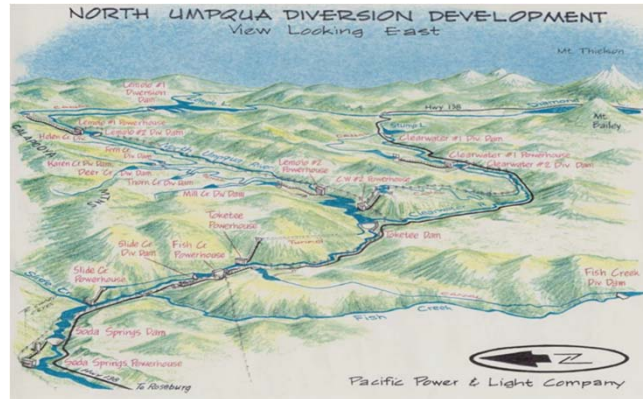
- Fish passage
- Restoration of aquatic connectivity
- Offsite mitigation

Terrestrial Measures

- Restoration of terrestrial connectivity
- Wetland creation and enhancement

Management Plans

- Vegetation / noxious weeds
- Erosions control
- Recreation resources
- Cultural resources



North Umpqua Project: Soda Springs Fish Passage

- Fish passage facilities include fish ladder for upstream movement of adult salmon and steelhead, and downstream passage of juveniles.
- Construction initiated in 2010 and completed in November 2012. A high-flow event in December 2012 caused damage to the newly completed fish screen; repair was completed on January 31, 2014.
- Operates 24/7 to provide access to historic spawning habitat above Soda Springs dam.
- Juveniles are guided downstream into an evaluation facility that provides for monitoring of the effectiveness of the anadromous fish restoration program.



Klamath Settlement Overview

Klamath Project (169 MW)

- East Side/West Side (3.8 MW)
- J.C. Boyle (98 MW)
- Copco No. 1 (20 MW)
- Copco No. 2 (28 MW)
- Iron Gate (18 MW)
- Fall Creek (2.3 MW)

Klamath Settlement Overview

Klamath Hydroelectric Settlement Agreement signed in February, 2010.

Settlement contains key protections for customers should dam removal occur:

- Cost cap of \$200m
- Liability protection from adverse impacts of dam removal
- Transfer to 3rd party for removal
- Continued generation prior to anticipated dam removal in 2020.

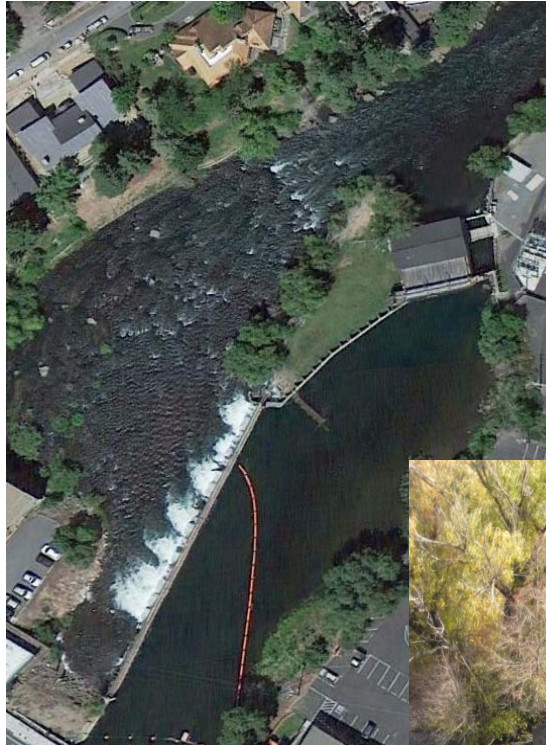
Current Status

- Congress must pass implementing legislation.
- Klamath settlement legislation expected to be introduced in 2014.
- \$68m in dam removal surcharges (of \$200m customer cost cap) collected from OR and CA customers.



Bend Divestiture

- Company conducted full inspection of the Bend dam on October 31, 2013 after leak discovered in wooden panel.
- Inspection and economic analysis concluded that the dam is safe, but not cost effective to rebuild to enable power generation for current and future generations of PacifiCorp customers.
- PacifiCorp and city of Bend representatives in discussions to potentially transfer dam to enable continued impoundment function and provide community asset.

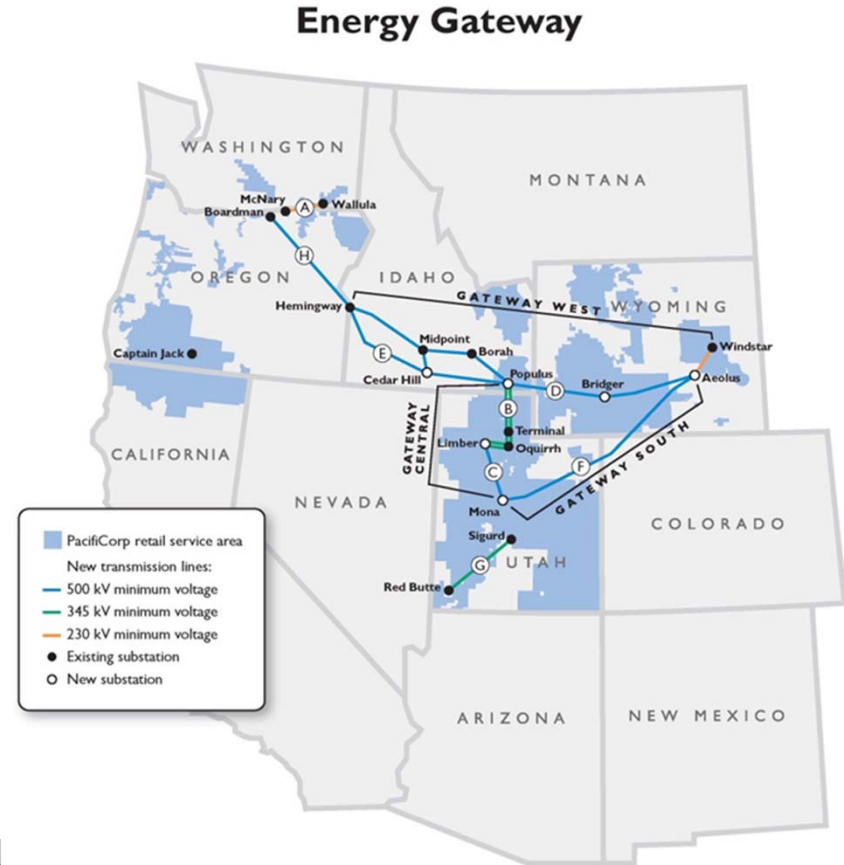


Natalie Hocken
Senior Vice President
Transmission & System Operations
PacifiCorp

Transmission Update

Energy Gateway Expansion Plan Status

- Mona-Oquirrh
 - \$371 million construction cost
 - In-service May 2013
- Sigurd-Red Butte
 - Construction started May 2013
 - Expected in-service June 2015
- Gateway West
 - Bureau of Land Management Record of Decision for 8 of 10 segments received November 2013
 - Record of Decision on remaining two segments across Idaho expected in early 2015
- Gateway South
 - Bureau of Land Management Draft Environmental Impact Statement received Feb. 21, 2014



IRP and Transmission Benefits Tool

- Transmission System Operational and Reliability Benefits Tool (“SBT”) metrics:
 - Operational cost savings (economic driven – NPC)
 - Segment loss savings (energy and capacity)
 - System reliability benefits
 - Customer and regulatory benefits
 - Avoided capital cost
 - Improved generation dispatch (reliability driven)
 - Wheeling revenue opportunity
- Established an SBT workgroup to provide input August – October
- Workgroup information and materials located under “Transmission SBT” on the IRP webpage:
<http://www.pacificorp.com/es/irp/SBT.html>
- Consistent the Commission’s IRP acknowledgement order and given a lack of consensus among workgroup participants regarding the SBT benefit categories, PacifiCorp will continue to refine the SBT and develop SBT analyses for additional Energy Gateway segments when the timing and potential costs of each segment are better defined.
- As part of the 2015 IRP process, PacifiCorp will continue to evaluate the timing of each Energy Gateway segment.

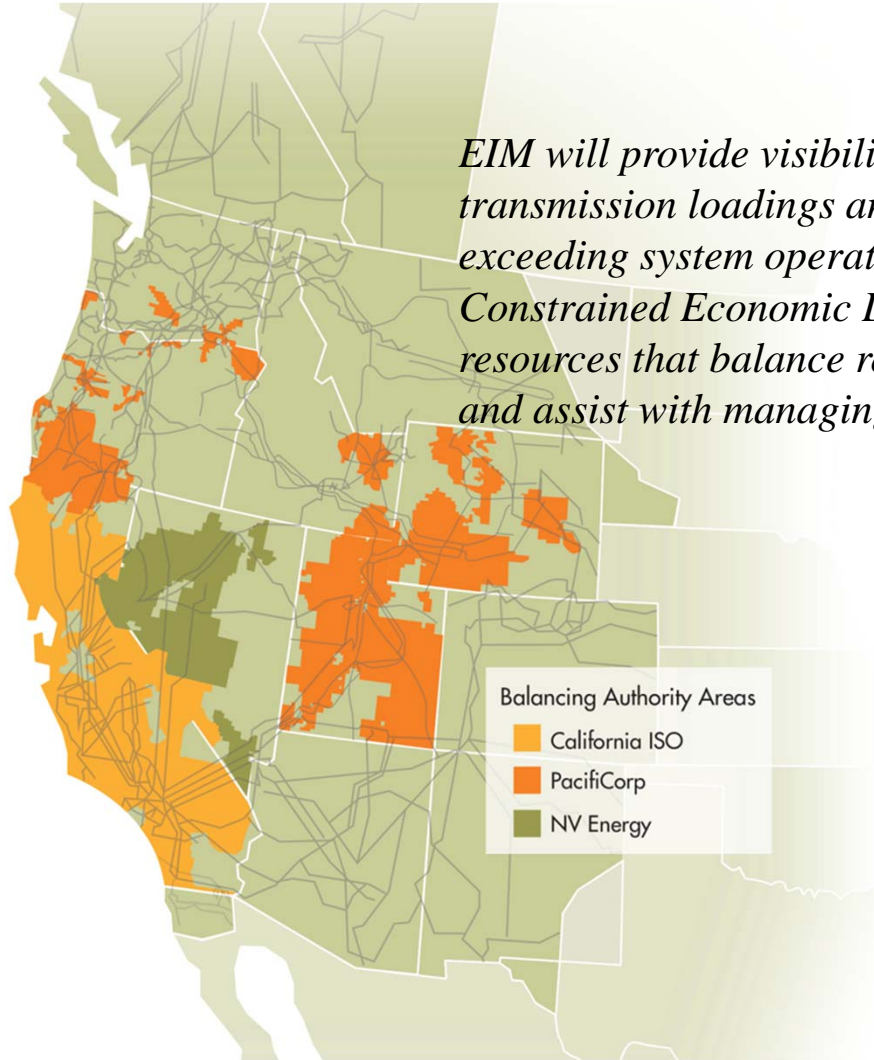
Transmission Rates

- FERC transmission rates annual update
 - Resolution of current rate
 - Preparing annual projection and true-up – May 15 publication date

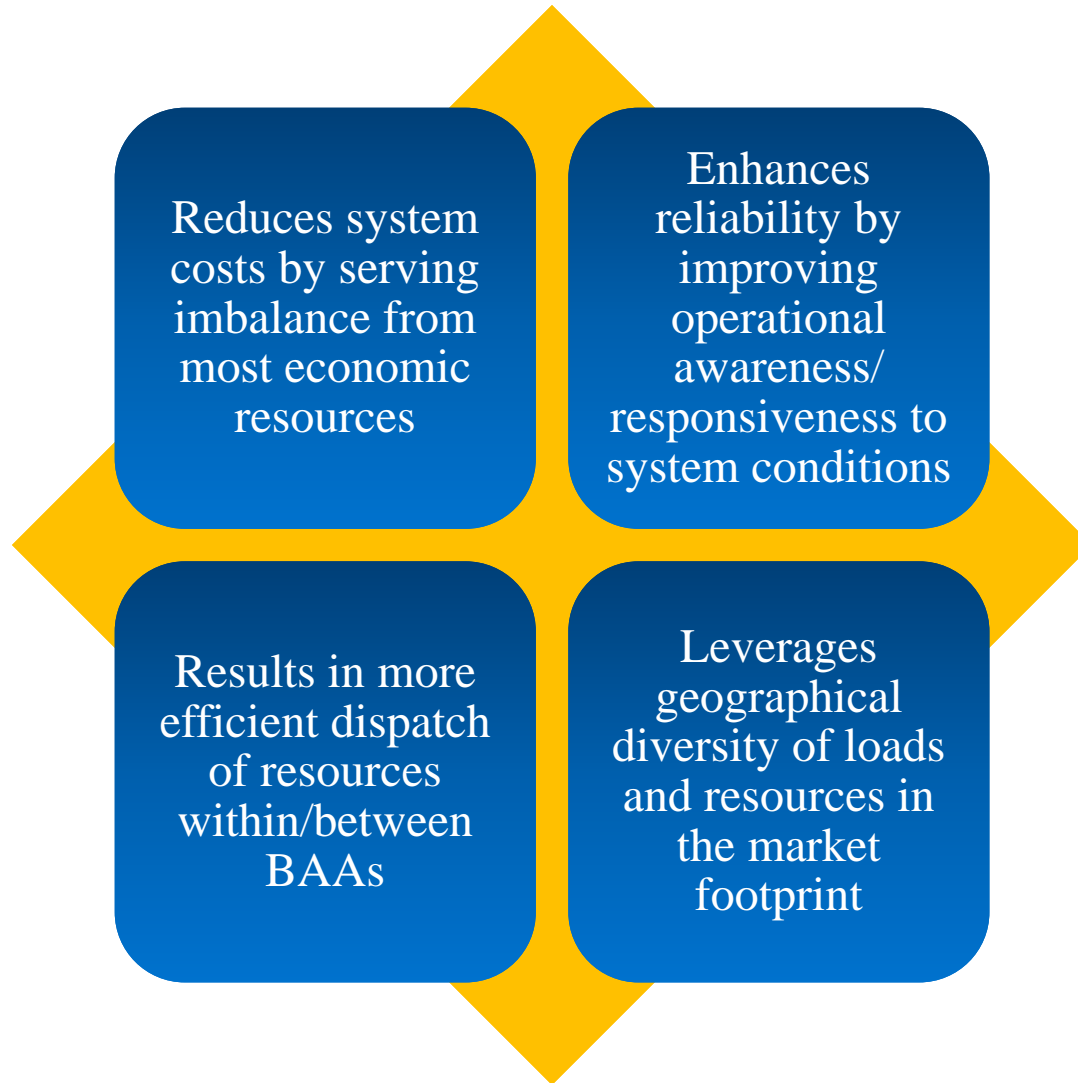
- Rate update for Schedules 3/3A “Regulating Margin Reserve Service”
 - As condition of the formula rate case settlement, the company filed a rate update for Schedule 3 “Regulation and Frequency Response Service” and Schedule 3A for “Generator Regulation and Frequency Response Service” on April 1, 2013
 - Differentiates between variable and non-variable generation
 - FERC did not approve the new rates resulting in the settlement rates remaining in effect until a future rate is accepted
 - Worked with key transmission customers to agree upon a plan for refiling after data is collected through 15 minute scheduling and a year of EIM operations

Energy Imbalance Market (“EIM”) Update

EIM will provide visibility into actual system conditions and transmission loadings and proactively dispatch resources to avoid exceeding system operating limits. In addition, an EIM using Security Constrained Economic Dispatch (“SCED”) could increase the pool of resources that balance resources and load, provide ramping capability, and assist with managing flows within system operating limits.



Intended Benefits of EIM



PacifiCorp – CAISO EIM Benefits and cost

(annualized \$m)

Benefit Category	Low (100 MW) transfer capability		Medium (400 MW) transfer capability		High (800 MW) transfer capability	
	Low Range	High Range	Low Range	High Range	Low Range	High Range
Interregional dispatch	\$ 14.1	\$ 11.0	\$ 22.3	\$ 17.7	\$ 22.4	\$ 17.8
Intraregional dispatch	\$ 2.3	\$ 23.0	\$ 2.3	\$ 23.0	\$ 2.3	\$ 23.0
Flexibility reserves	\$ 4.0	\$ 20.8	\$ 11.0	\$ 51.3	\$ 13.4	\$ 77.1
Renewable curtailment	\$ 1.1	\$ 10.8	\$ 1.1	\$ 10.8	\$ 1.1	\$ 10.8
Total benefits	\$ 21.4	\$ 65.6	\$ 36.7	\$ 102.8	\$ 39.2	\$ 128.7
PacifiCorp's Share	\$ 10.5	\$34.5	\$16.7	\$46.8	\$17.4	\$54.4

PacifiCorp's Expected Start Up Costs: \$20.0m

Annual costs starting in 2015: \$3.0m

PacifiCorp's Stakeholder Process

- In parallel with the California ISO's stakeholder process, PacifiCorp began a stakeholder process in April 2013 to discuss EIM development with its customers and to develop its OATT revisions
 - Posted matrix responding to stakeholder comments received
 - Provided multiple opportunities for customer and stakeholder feedback
- Tariff filing reflects incorporation of significant stakeholder feedback and encourages participation by market participants
 - Design is adaptable to new participants
 - Minimizes barriers to entry
- Maintains principles for transmission as set forth at outset of stakeholder process
- PacifiCorp filed its OATT revisions to implement EIM with FERC on March 25, 2014

*Firm commitment to revisit
transmission requirements after one
year of operational experience with
EIM is gained*



Bryce Dalley
Vice President, Regulation
Pacific Power

Regulatory Update

California Regulatory Activities

■ Greenhouse Gas Emissions Reduction Program (Cap and Trade)

- The company receives an allocation of “free” allowances which must be monetized at the California Air Resources Board quarterly auctions. Revenue from the sale of allowances is returned to eligible customers (residential and small business customers).
 - Small business customers receive a monthly kilowatt-hour credit.
 - Residential customers will receive a credit twice a year.

- The company must procure sufficient allowances to meet its annual compliance obligation. The cost for procuring allowances is paid by all customers. This will result in a 10.8 percent rate increase for each customer class effective April 1, 2014.
 - A typical residential customer will see an annual bill increase of \$159.48 and a bill credit of \$388.74.

Customer Class	Impact of Proposed 2014 Charge	Impact of Proposed 2014 Credit	Combined 2014 Impact
Residential	10.9 percent	-26.5 percent	-15.6 percent
Small Business Commercial & Industrial	10.9 percent	-10.1 percent	0.8 percent
Commercial & Industrial over 20 kW	10.8 percent	0 percent	10.8 percent
Small Business Irrigation	10.8 percent	-10.1 percent	0.7 percent
Irrigation over 20 kW	10.8 percent	0 percent	10.8 percent
Street Lighting	10.9 percent	0 percent	10.9 percent
Overall	10.8 percent	-14.7 percent	- 3.9 percent

Oregon Regulatory Activities

■ **2013 General Rate Case**

- An all-party stipulation was approved by the Oregon Public Utility Commission.

Key provisions of the settlement include:

- An overall base price increase of \$23.7m, or 1.9%, effective January 1, 2014.
- Implementation of revised depreciation rates.
- Same rate of return approved in the company's 2012 Oregon general rate case.
- A rate case stay-out provision for 2014. The next Oregon rate case will include a proposed rate effective date no earlier than January 1, 2016.
- Implementation of a separate tariff rider for Lake Side 2 once the plant is placed in service (approximately \$23 million or 1.9% overall).

■ **2015 Transition Adjustment Mechanism (TAM)**

- Will be filed on April 1, 2014, based on the net power costs forecast for CY 2015.
- This is a required annual filing to update net power costs in rates. Last year's TAM filing resulted in a rate decrease of \$3.0 million or 0.2 percent.

Idaho / Utah / Wyoming Regulatory Activities

■ **Idaho**

- Two-Year General Rate Case Stay Out
 - Result of an all-party settlement
 - Terms included a base rate increase of \$2.0 million, or 0.8%, effective January 1, 2014
 - Next general rate case will become effective on January 1, 2016

■ **Utah**

- 2014 General Rate Case
 - Filed January 3, 2014
 - Requested an overall increase of \$76.3 million, or 4.1%, effective January 1, 2015

■ **Wyoming**

- 2014 General Rate Case
 - Filed March 3, 2014
 - Requested an overall increase of \$36.1 million, or 5.3%, effective January 1, 2015

Scott Bolton
Vice President, Community & Government
Relations
Pacific Power

Legislative Update

Pacific Power Legislative Outcomes

■ **Washington:**

- The legislature considered modifications to the state’s solar policy, especially as they relate to leased-energy systems and third-party ownership but no changes were passed into law.
- The legislature also considered a number of proposals related to the renewable portfolio standard (RPS) including: the ability for utilities to “roll over” excess conservation for future compliance targets (PASSED), designating irrigation pipes and canals for municipal water supply to qualify as eligible for the RPS (PASSED) and, incremental hydropower resulting from energy efficiency upgrades made on facilities to be eligible for the RPS (FAILED).
- The company expects interim discussions to focus on the governor's environmental priorities, including, the elimination of or modification to, policies on coal-fired resources located out-of-state which serve Washingtonians.

■ **Oregon:**

- The company successfully worked with legislators, the Oregon Commission, customer groups and renewable advocates on HB 4126, a modification to the renewable portfolio standard. A key provision provides investor-owned utilities a pathway at the Commission to review a green tariff—a program in which customers could choose, and directly pay for, the specific type of renewable resource from which they would like to be served.
- The state is conducting research on a statewide carbon tax, a report is due to the legislature at the end of this year; utilities in Oregon are closely monitoring this research and engaging with the state where appropriate.

Pacific Power Legislative Outcomes

■ **California:***

- Monitor and engage in legislation relating to safety.
 - In the wake of the San Bruno disaster the California legislature has proposed many bills relating to utility safety over the past several sessions. Many of the proposals have made positive changes. Currently, the Commission has an ongoing docket on utility safety. Safety continues to be top of mind for legislators and despite the open and active docket on this issue at the Commission, proposals continue to be introduced.
- Support proposals which increase penalties, monetary and criminal, for incidents of metal theft.
- Monitor modifications related to the state's policy on confidentiality of public records including utility submissions to the Commission.

* California session is still in progress; target adjournment is mid-September 2014.

Rocky Mountain Power Legislative Initiatives

■ **Utah: Significant energy-related activity in the 2014 session**

- Legislation, supported by the company, passed to eliminate cost shifting among customers resulting from the state's net metering program. The bill requires the Commission to determine whether costs of the net metering program exceed the benefits or if benefits exceed the costs. If it is determined that costs exceed the benefits, then the Commission shall create an additional fee or alternative rate structure for net metering customers to pay the above and beyond costs associated with the program.
- Legislation passed that requires any new renewable generation resulting from the authority provided by 2012's SB12 be located in Utah.
- In 2013, the Commission issued an order clarifying that an entity offering electric vehicle battery recharging services is not considered a public utility because this service is not considered a resale of electricity. Legislation was passed in 2014 to codify this Commission order.
- An eminent domain bill which codifies specific procedures that condemning entities must follow in contacting and negotiating with land owners whose land is under threat of condemnation passed the legislature.

■ **Wyoming: Budget session only**

- 2014 was a biannual budget session in Wyoming. As a result, no legislation with a direct impact to the company was considered in 2014.

■ **Idaho: No significant issues impacting the company this session**

Service Territory Integrity

- **Service territory integrity is becoming a major issue for the company across its service territory and in Washington**
 - Utilities in the state are experiencing situations of “poaching.”

- **Remedies for “poaching”**
 - The company and other utilities are looking for creative ways to address this ever increasing problem.
 - One potential regulatory (or legislative) solution for addressing this issue is: developing a methodology for addressing stranded costs related to customer transfers, requiring utilities to agree on cost recovery if this occurs.
 - Other ideas include:
 - Statutory requirement for utilities to develop agreements designating boundaries between utilities (service territories).
 - Statutory requirement that any utility “poaching” utility customers without an agreement would then be required to meet the full I-937 renewable investment requirements.

Mary Wiencke
Director, Environmental Policy & Strategy
PacifiCorp

Environmental Update

Federal Environmental Regulation – Regional Haze Update

- Final Wyoming Federal Implementation (FIP) Plan published January 30, 2014 approving Wyoming State Implementation Plan for four Jim Bridger units
 - Jim Bridger 1 SCR (12/31/2022)
 - Jim Bridger 2 SCR (12/31/2021)
 - Jim Bridger 3 SCR (12/31/2015)
 - Jim Bridger 4 SCR (12/31/2016)

- Appeals of the Final FIP are expected, but unlikely to impact Bridger determinations

Federal Environmental Regulation – Greenhouse Gases

- Greenhouse Gas (GHG) New Source Performance Standards (NSPS) under Clean Air Act 111(b) for New Resources
 - Re-proposed in January 2014 at a level of 1,000 lbs/MWh for large natural gas-fueled units and 1,100 lbs/MWh for coal-fueled units
 - Public comment period closes May 9, 2014
 - Standard for coal-fueled units requires carbon capture and storage
 - Legal challenges likely; will set the stage for legal challenges under 111(d)
- Existing Source Regulation under Clean Air Act 111(d)
 - To be proposed by June 2014 and finalized by June 2015 with state implementation plans June 2016
 - EPA sets Best System of Emission Reduction (“BSER”); states propose to apply a standard of performance based on statutory factors including “remaining useful life” of sources
 - States develop and propose standards of performance based on EPA guidelines

California State Regulation – Emerging Issues

- California Air Resources Board issues updated scoping plan under Global Warming Solutions Act (AB 32)
 - Revised scoping plan proposes 80% emissions reduction by 2050, largely driven by energy efficiency and demand side management programs
 - Continuation of cap-and-trade program beyond 2020 is expected, however, it will be important to monitor relationship between California's program and EPA 111(d) rule and implementation

- PacifiCorp continues to participate in California cap-and-trade program
 - Greenhouse gas costs and revenues expected in customer bills beginning April 2014

- In 2013, California passes AB 327, requiring utilities to file distribution resource plans in early 2015
 - Implementation efforts beginning at California Public Utilities Commission
 - AB 327 also grants CPUC discretion to raise RPS target above 33 percent

Wrap – Up

Questions?