



825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

June 30, 2008

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Suite 215  
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins  
Administrator, Regulatory Operations

Re: **Docket UM-1147** – Petition for Exception to Order No. 08-263

PacifiCorp, d.b.a. Pacific Power, hereby submits in electronic format, a Petition for Exception to the interest rate requirements set forth in Order No. 08-263, Docket UM 1147.

Informal questions may be directed to Joelle Steward at (503) 813-5542.

Sincerely,

  
Andrea L. Kelly  
Vice President, Regulation

Enclosure

## CERTIFICATE OF SERVICE

I hereby certify that on this 30<sup>th</sup> day of June, 2008, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

### Service List Docket No. UM-1147

Rates & Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon St 1WTC0702  
Portland, OR 97204  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

Edward A. Finklea  
Cable Huston Benedict Haagensen &  
Lloyd LLP  
1001 SW 5th, Ste 2000  
Portland, OR 97204  
[efinklea@cablehuston.com](mailto:efinklea@cablehuston.com)

Katherine Barnard (W)  
Director, Regulatory Affairs  
Cascade Natural Gas  
P.O. Box 24464  
Seattle, WA 98124  
[kbarnard@cngc.com](mailto:kbarnard@cngc.com)

Jon T. Stoltz (W)  
Sr. Vice President, Regulatory & Gas  
Cascade Natural Gas  
P.O. Box 24464  
Seattle, WA 98124  
[jstoltz@cngc.com](mailto:jstoltz@cngc.com)

Lowrey R. Brown (W)  
Utility Analyst  
Citizens' Utility Board of Oregon  
610 SW Broadway, Ste 308  
Portland, OR 97205  
[lowrey@oregoncub.org](mailto:lowrey@oregoncub.org)

Robert Jenks (W)  
Citizens' Utility Board of Oregon  
610 SW Broadway, Ste 308  
Portland, OR 97205  
[bob@oregoncub.org](mailto:bob@oregoncub.org)

Jason Eisdorfer (W)  
Energy Program Director  
Citizens' Utility Board of Oregon  
610 SW Broadway, Ste 308  
Portland, OR 97205  
[jason@oregoncub.org](mailto:jason@oregoncub.org)

S. Bradley Van Cleve (W)  
Davison Van Cleve PC  
333 SW Taylor, Ste 400  
Portland, OR 97294  
[mail@dvclaw.com](mailto:mail@dvclaw.com)

Allen C. Chan  
Davison Van Cleve PC  
333 SW Taylor, Ste 400  
Portland, OR 97294  
[acc@dvclaw.com](mailto:acc@dvclaw.com)

Sandra D. Holmes (W)  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83703  
[sholmes@idahopower.com](mailto:sholmes@idahopower.com)

Stephanie S. Andrus (W)  
Regulated Utility & Business Section  
Department of Justice  
1162 Court St. NE  
Salem, OR 97304-4096  
[stephanie.andrus@state.or.us](mailto:stephanie.andrus@state.or.us)

Barton L. Kline (W)  
Senior Attorney  
Idaho Power Company  
P.O. Box 70  
Boise, ID 83703  
[bkline@idahopower.com](mailto:bkline@idahopower.com)

Kimberly Perry (W)  
McDowell & Rackner PC  
520 SW Sixth Ave, Suite 830  
Portland, OR 97204  
[kim@mcd-law.com](mailto:kim@mcd-law.com)

Paula E. Pyron  
Executive Director  
Northwest Industrial Gas Users  
4113 Wolf Berry Ct  
Lake Oswego, OR 97035-1827  
[ppyron@mwigu.org](mailto:ppyron@mwigu.org)

Douglas C. Tingey  
Assistant General Counsel  
Portland General Electric  
121 SW Salmon 1WTC13  
Portland, OR 97204  
[doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

Oregon Dockets (W)  
PacifiCorp  
825 NE Multnomah  
Suite 2000  
Portland, OR 97232  
[oregondockets@pacificorp.com](mailto:oregondockets@pacificorp.com)

Katherine A. McDowell (W)  
McDowell & Rackner PC  
520 SW Sixth Ave, Suite 830  
Portland, OR 97204  
[katherine@mcd-law.com](mailto:katherine@mcd-law.com)

Lisa F. Rackner (W)  
McDowell & Rackner PC  
520 SW Sixth Ave, Suite 830  
Portland, OR 97204  
[lisa@mcd-law.com](mailto:lisa@mcd-law.com)

Inara K. Scott  
Regulatory Affairs Manager  
Northwest Natural  
220 NW Second Ave.  
Portland, OR 97209-3991  
[iks@nwnatural.com](mailto:iks@nwnatural.com)

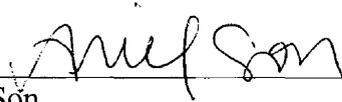
Rates & Regulatory Affairs  
Northwest Natural  
Northwest Natural  
220 NW Second Ave.  
Portland, OR 97209-3991  
[efiling@nwnatural.com](mailto:efiling@nwnatural.com)

Judy Johnson  
Public Utility Commission  
P.O. Box 2148  
Salem, OR 97308-2148  
[judy.johnson@state.or.us](mailto:judy.johnson@state.or.us)

Natalie Hocken  
Vice President & General Counsel  
PacifiCorp  
825 NE Multnomah  
Suite 2000  
Portland, OR 97232  
[natalie.hocken@pacificorp.com](mailto:natalie.hocken@pacificorp.com)

Wendy McIndoo (W)  
McDowell & Rackner PC  
520 SW Sixth Avenue, Suite 830  
Portland, OR 97204  
[wendy@mcd-law.com](mailto:wendy@mcd-law.com)

Michelle Mishoe (W)  
Legal Counsel  
Pacific Power & Light  
825 NE Multnomah  
Suite 1800  
Portland, OR 97232  
[michelle.michoe@pacifcorp.com](mailto:michelle.michoe@pacifcorp.com)

A handwritten signature in black ink that reads "Ariel Son". The signature is written in a cursive style and is positioned above a horizontal line.

Ariel Son  
Coordinator, Administrative Services

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1147**

In the Matter of PacifiCorp, d.b.a. Pacific  
Power's Petition for an Exception to Order  
No. 08-263, Docket No. UM 1147

Petition for Exception

1 Pursuant to OAR 860-013-0020 PacifiCorp, d.b.a. Pacific Power ("Company"),  
2 petitions the Public Utility Commission of Oregon ("Commission") for an exception to the  
3 interest rate requirements set forth in Docket No. UM 1147, Order No. 08-263 as applied to  
4 the Company's Bonneville Power Administration ("BPA") balancing account.

5 In support of this Petition, the Company states as follows:

6 1. Communications regarding this Petition should be addressed to:

Oregon Dockets  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
Phone: 503.813.5542  
Email: oregondockets@pacificorp.com

Michelle Mishoe  
PacifiCorp  
825 NE Multnomah, Suite 1800  
Portland, Oregon 97232  
Phone: 503.813.5977  
Email: michelle.mishoe@pacificorp.com

7 In addition, the Company requests that all data requests regarding this Petition be sent  
8 to the following:

9 By email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

10 By fax: 503-813-6060

11 By regular mail: Data Request Response Center  
12 PacifiCorp  
13 825 NE Multnomah, Suite 2000  
14 Portland, Oregon 97232

15 Informal questions may be directed to Joelle Steward, Oregon Regulatory Affairs  
16 Manager at 503-813-5542.

1           3.       On May 22, 2008, the Commission issued Order No. 08-263, Docket No. UM  
2 1147, setting a new interest rate to be applied to all amortized deferred accounts.<sup>1</sup> The  
3 Commission adopted the Blended Treasury Rate plus 100 basis points, to be calculated  
4 annually by January 10 and applied to deferred accounts commencing on the date of the  
5 Commission’s approval of an amortization, continuing throughout the entire amortization  
6 period.<sup>2</sup> This new interest rate also applies to balancing accounts established under the 1980  
7 Northwest Power Act (“1980 Act”).<sup>3</sup> However, the Commission indicated that it would  
8 consider exceptions to the new interest rate.<sup>4</sup>

9           4.       The Bonneville Power Administration (“BPA”) balancing account has been in  
10 place since the early 1980s. It is a pass-through mechanism for distributing residential  
11 exchange benefits authorized by the 1980 Act. The Oregon Department of Justice advised  
12 Commission Staff<sup>5</sup> a number of years ago that although the deferral of 1980 Act benefits is  
13 described under ORS 757.259, the requirements of section 5(c) of the RPA makes  
14 authorization under state law unnecessary because federal law preempts state law. As such,  
15 the Company has not requested authorization to defer its BPA balancing account balances  
16 pursuant to ORS 757.259.

17           5.       Based on discussions with BPA<sup>6</sup>, the Company calculates monthly carrying  
18 charges on the BPA balancing account only when there is a credit balance. The Company  
19 believes that no interest should be charged on a credit balance because the Company may  
20 choose to raise net rates by reducing the credit. Reducing the credit avoids customers owing

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<sup>1</sup> Docket No. UM 1147, Order No. 08-263, p. 15.

<sup>2</sup> Id. The Blended Treasury Rate must be calculated annually by January 10 using rates published on the first two Thursdays of the preceding December.

<sup>3</sup> Id. at 16.

<sup>4</sup> Id.

<sup>5</sup> OPUC Interoffice Correspondence, October 2, 2003, p. 1.

<sup>6</sup> OPUC Interoffice Correspondence, October 2, 2003, p.2.

1 the Company money.

2 6. The short-term interest rate used in the calculation of the BPA balancing  
3 account monthly carrying charges was authorized in a September 29, 1981 letter to the  
4 Company from William Kramer, Assistant Commissioner, Utility Program, referencing  
5 Docket No. UF 3735 concerning transactions with BPA. The letter under paragraph 5 states:  
6 “Interest should be charged or credited on monthly average balancing account amounts,  
7 using the average cost of obtaining funds under the Company's revolving credit terms for the  
8 month.” The Company used a rate that is tied to the primary investment account used by the  
9 Company to invest excess cash. As of August 31, 2007 the rate used by PacifiCorp is from  
10 the Fidelity Treasury Fund # 695 rate.<sup>7</sup> The same rate is used for all three states in which  
11 the Company receives benefits from BPA (Oregon, Washington and Idaho).

12 7. In adopting the Blended Treasury Rate with modifications, the Commission  
13 noted that it “reflects the financing periods and financial risks associated with deferred  
14 accounts in amortization.”<sup>8</sup> The BPA balancing account is not subject to the same financing  
15 periods and financial risks as other deferred accounts since it is a pass-through mechanism.  
16 It is not an account where costs are deferred and then later amortized. Therefore, an  
17 exception to the Commission’s order is reasonable. Changing the interest rate applied to the  
18 BPA balancing account would have the perverse effect of raising the interest rate applied to it  
19 rather than decreasing it. For these reasons, the Company’s current practice of applying the  
20 Fidelity Money Market Fund # 695 to credit balances and applying no interest to debit  
21 balances better reflects the “risk” associated with the BPA balancing account and should be  
22 retained

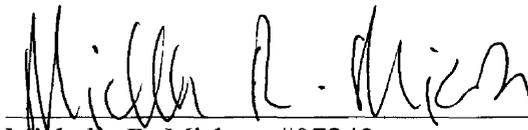
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<sup>7</sup> Prior to August 31, 2007 the Company used the rate from the Fidelity Money Market Fund # 59. The Company has moved all money market funds to Treasury money market funds, which have a lower rate, to minimize risks associated with the sub-prime mortgage crisis.

<sup>8</sup> Order No. 08-263 at 15.

1           WHEREFORE, because of the unique circumstances surrounding the BPA balancing  
2 account, the Company respectfully requests that the Commission grant an exception from the  
3 interest rate requirements set forth in Order No. 08-263 and allow the Company to continue  
4 using its current method of determining the interest rate.

DATED: June 30, 2008

A handwritten signature in black ink, appearing to read "Michelle R. Mishoe". The signature is written in a cursive style and is positioned above a horizontal line.

Michelle R. Mishoe, #07242  
Legal Counsel,  
Pacific Power

Counsel for PacifiCorp