

August 3, 2007

VIA OVERNIGHT DELIVERY

Chairman Lee Beyer
Commissioner Ray Baum
Commissioner John Savage
Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

**RE: Docket No. UM-1304 - Petition for Investigation of Multnomah County
Drainage District No. 1 and Peninsula Drainage District No. 2.**

Dear Chairman Beyer and Commissioners:

PacifiCorp offers the following comments on Staff's recommendation to be presented at the Commission's Public Meeting on August 7, 2007 concerning the Petition for Investigation of Multnomah County Drainage District No. 1 and Peninsula Drainage District No. 2 in Docket UM-1304.

The Company supports Staff's recommendation; however, we believe it is important to raise some points concerning the ramifications of the recommendation.

First, the Company agrees with Staff's recommendation that "the Commission deny the Multnomah County Drainage District (MCDD) petition to order PacifiCorp to develop a tariff suitable to MCDD's needs and file it in the next rate case proceeding." There is no need for the Company to design a special retail rate to serve two facilities when our current rates are designed consistent with Oregon Administrative Rules to provide service to each class of consumers based on the unbundled costs to serve each class.

Designing a special rate to serve two facilities who engage in a specific economic activity is in effect a special contract rate where only customers engaging in that narrow activity qualify for the rate.

Second, the Staff recommendation states that "PacifiCorp be directed to include an analysis of the effects and propriety of treating drainage districts as a separate customer class in its next general rate case. PacifiCorp's analysis should include a draft tariff rate design that would treat drainage districts as a separate class."

We agree that it is important to review the propriety of designing a separate rate for a very small customer class such as drainage districts. In addition to the concern stated

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above, we believe there could be a number of unintended consequences of proposing a rate for only two facilities.

Based on cost, the separate rate could be quite a bit higher than the current rate for these customers. These two facilities tend to have low load factors. Designing a rate for a low load factor customer class based on the unbundled costs to serve that class could result in a rate that is higher than their current rate. We don't believe that a higher rate would meet the needs of these customers.

If a separate rate were required, drainage districts would need to be treated as a separate class in the marginal cost study. At least twelve months of load research data would be required for this separate class which we do not have at present. Collecting load research data is costly and time consuming, but without it, any rate would only be suggestive and would not be fully supported by a marginal cost of service study.

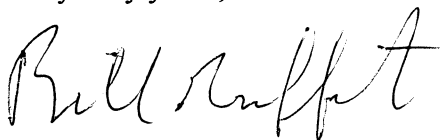
Moreover, if a separate rate were implemented and based on the characteristics of these customers, there could be large swings in the rate from rate case to rate case based on changes in these customers' loads and on changes in the number of customers qualifying for the rate. As noted by James Bonbright in *Principles of Public Utility Rates*, one of the major criteria of a sound rate structure is that it have "a minimum of unexpected changes...with a sense of historical continuity (p. 383)." There is a high probability that this rate would not.

When rates are designed for a class of customers, there are always winners and losers. While we understand the concerns of the petitioners to lower their bills, the costs to serve them do not go away, and our rates must reflect those costs.

In summary, the Company believes that a separate end use rate for a very small group of customers is inappropriate and is not consistent with Oregon rules nor with sound rate design practices. Consistent with the Staff recommendation, the Company will address these concerns in detail in its next general rate case.

Thank you for the opportunity to comment.

Very truly yours,



Bill Griffith, Director
Pricing, Cost of Service & Regulatory Operations

c: Judy Johnson – OPUC Staff