

October 15, 2007

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

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Attn: Vickie Bailey-Goggins, Administrator
Regulatory and Technical Support

Re: Advice Filing 07-019 (Docket No. UE 177)
Schedule 102 – Income Tax Adjustment

PacifiCorp submits for filing an original and five copies of the tariff sheets listed below. The company is requesting an effective date of June 1, 2008 for these tariff sheets. PacifiCorp makes this filing concurrently with the filing of its tax report for 2006 in Docket No. UE 177, pursuant to ORS 757.267 and 757.268 (“SB 408”) and OAR 860-022-0041.

A. Tariff

PacifiCorp’s tax report for 2006 reflects a difference between taxes authorized to be collected in rates and taxes paid of \$32.65 million. Under SB 408, this difference, plus interest, is to be collected as a surcharge through an automatic adjustment clause (AAC). ORS 757.268(6); OAR 860-022-0041(8)(e). To moderate the impact of this surcharge upon customers, PacifiCorp’s proposed Schedule 102 limits the increase at this time to an overall average of three percent, which totals \$27 million. As noted below, this represents roughly the same amount as the Commission’s adjustment in PacifiCorp’s UE 170 rate case. The surcharge is allocated by customer rate schedule on an equal cents per kilowatt-hour basis, as required by OAR 860-022-0041(8)(d). PacifiCorp proposes to defer the portion of the surcharge not recovered by Schedule 102 to its SB 408 balancing account.

B. Background

PacifiCorp’s shortfall in taxes collected is primarily a result of the Commission’s adoption of an SB 408-related income tax adjustment in the UE 170 rate case while PacifiCorp was owned by ScottishPower. This adjustment initially lowered PacifiCorp’s tax expense by \$26.6 million. *In re PacifiCorp*, Order No. 05-1050 (2005). In response to PacifiCorp’s motion for reconsideration, the Commission reduced this adjustment to \$20.5 million in July 2006. *In re PacifiCorp*, Order No. 06-279 (2006). In total, the UE 170 adjustment lowered PacifiCorp’s taxes collected in rates by \$24 million for 2006.

As the Commission has explained, the UE 170 adjustment “was based on PacifiCorp’s ... assumed continued ownership by ScottishPower.” Order No. 06-279 at 13. The Commission lowered PacifiCorp’s tax expense to align taxes collected in rates with the expectation that, under ScottishPower ownership, PacifiCorp’s consolidated tax group would pay reduced income taxes in 2006, lowering PacifiCorp’s taxes paid.

MidAmerican Energy Holdings Company (MEHC) acquired PacifiCorp on March 21, 2006. MEHC’s parent company is Berkshire Hathaway. Berkshire Hathaway’s consolidated tax group, of which both MEHC and PacifiCorp are members, paid approximately \$4.4 billion in income taxes in 2006.

In the UE 170 reconsideration order, the Commission “recognize[d] that [the] subsequent change in PacifiCorp’s ownership eliminated the basis for the future tax adjustment.” Order No. 06-279 at 13. The Commission also highlighted that the impact of the UE 170 tax adjustment on PacifiCorp was “limited” because “through [SB 408’s] true-up mechanism, PacifiCorp will have an opportunity to recover tax payments made after [January 1, 2006] that exceed the allowable expense in rates.” *Id.* at 16.

The need for this kind of true-up is unique to PacifiCorp, which is the only utility to have experienced an income tax disallowance in a rate case based on a forecast of SB 408’s impact in 2006. The situation is also unique to 2006 because PacifiCorp’s tax expense in rates for 2007 was restored to pre-UE 170 levels on January 1, 2007 under the Commission’s order adopting the UE 179 Stipulation. *In re PacifiCorp*, Order No. 06-530 (2006).

Another factor contributing to the surcharge results from the formula in SB 408 which fails to compare actual taxes paid with the actual amount recovered in rates for tax expense. This is the so-called “double whammy” effect that PacifiCorp unsuccessfully sought to correct in the 2007 Oregon legislative session.

C. Proposed Amortization Schedule

Under OAR 860-022-0041(8)(c), the Commission has discretion to set the amortization period for a refund or surcharge under the AAC.

PacifiCorp proposes to amortize \$27 million of the surcharge related to 2006 taxes over a one-year period, which would result in a 3% increase in overall net rates. This is reflected in Schedule 102.

PacifiCorp proposes that the portion of the 2006 surcharge not recovered through Schedule 102 be deferred to PacifiCorp’s SB 408 balancing account where it will accrue interest at a rate equal to the weighted average cost of capital approved by the Commission in PacifiCorp’s most recent general rate case, Docket No. UE 179. In PacifiCorp’s October 15, 2008 SB 408 filing, PacifiCorp will include a proposal for further treatment of these deferred amounts and associated interest.

D. Proposed Procedural Schedule

For this filing, PacifiCorp proposes to follow the same general procedural process as was established last year in Docket UE 177. PacifiCorp proposes that parties to UE 177 first circulate issues lists and meet in an informal workshop to discuss any issues identified. If parties identify contested issues of fact, the parties can file testimony on these issues, beginning with direct testimony from PacifiCorp.

E. Tariff Sheets

The proposed tariff sheets are as follows:

Eighteenth Revision of Sheet No. 90	Schedule 90	Summary of Effective Rate Adjustments
Original Sheet No. 102	Schedule 102	Income Tax Adjustment
Twenty-fourth Revision of Sheet No. B-1		Tariff Index

F. Correspondence

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

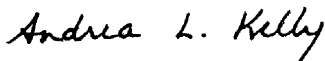
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By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Please direct informal correspondence regarding this filing to John Ryan at (503) 813-5601.

Very truly yours,



Andrea L. Kelly
Vice President, Regulation
Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing **Advice Filing 07-019** –
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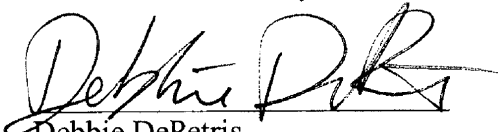
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DATED this 15th day of October, 2007.


Debbie DePetris
Supervisor, Regulatory Administration

Schedule 102 - Income Tax Adjustment

PACIFIC POWER & LIGHT COMPANY
 ESTIMATED EFFECT OF PROPOSED PRICE CHANGE
 ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
 DISTRIBUTED BY RATE SCHEDULES IN OREGON
 FORECAST 12 MONTHS ENDED DECEMBER 31, 2007

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Proposed Revenues (\$000)			Change				Rate Per kWh	Line No.
					Base Rates	Adders ¹	Net Rates	Base Rates	Adders ¹	Net Rates	Base Rates		Net Rates			
					(5)	(6)	(7)	(8)	(9)	(10)	(\$000)	% ²	(\$000)	% ²		
	(1)	(2)	(3)	(4)			(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)	(15)	
Residential																
1	Residential	4	467,946	5,423,448	\$443,679	\$5,978	\$449,657	\$443,679	\$16,771	\$460,450	\$0	0.0%	\$10,793	2.4%	0.199	1
2	Total Residential		467,946	5,423,448	\$443,679	\$5,978	\$449,657	\$443,679	\$16,771	\$460,450	\$0	0.0%	\$10,793	2.4%		2
Commercial & Industrial																
3	Gen. Svc. < 31 kW	23	70,185	1,156,146	\$95,208	(\$5,665)	\$89,543	\$95,208	(\$3,364)	\$91,844	\$0	0.0%	\$2,301	2.6%	0.199	3
4	Gen. Svc. 31 - 200 kW	28	9,623	2,076,347	\$117,957	\$11,379	\$129,336	\$117,957	\$15,511	\$133,468	\$0	0.0%	\$4,132	3.2%	0.199	4
5	Gen. Svc. 201 - 999 kW	30	797	1,332,133	\$70,564	\$4,197	\$74,761	\$70,564	\$6,848	\$77,412	\$0	0.0%	\$2,651	3.6%	0.199	5
6	Large General Service >= 1,000 kW	48	222	3,116,066	\$139,791	(\$299)	\$139,492	\$139,791	\$5,902	\$145,693	\$0	0.0%	\$6,201	4.4%	0.199	6
7	Partial Req. Svc. >= 1,000 kW	47	8	208,767	\$9,912	(\$20)	\$9,892	\$9,912	\$396	\$10,308	\$0	0.0%	\$415	4.4%	0.199	7
8	Agricultural Pumping Service	41	6,240	108,189	\$11,092	(\$2,617)	\$8,475	\$11,092	(\$2,402)	\$8,690	\$0	0.0%	\$215	2.5%	0.199	8
9	Agricultural Pumping - Other	33	2,117	106,792	\$1,543	\$4	\$1,547	\$1,543	\$217	\$1,760	\$0	0.0%	\$213	13.7%	0.199	9
10	Total Commercial & Industrial		89,192	8,104,440	\$446,067	\$6,979	\$453,046	\$446,067	\$23,107	\$469,174	\$0	0.0%	\$16,128	3.6%		10
Lighting																
11	Outdoor Area Lighting Service	15	7,718	11,556	\$1,404	\$124	\$1,528	\$1,404	\$147	\$1,551	\$0	0.0%	\$23	1.5%	0.199	11
12	Street Lighting Service	50	317	11,406	\$1,213	\$112	\$1,325	\$1,213	\$134	\$1,347	\$0	0.0%	\$23	1.7%	0.199	12
13	Street Lighting Service HPS	51	660	15,575	\$2,663	\$232	\$2,895	\$2,663	\$263	\$2,926	\$0	0.0%	\$31	1.1%	0.199	13
14	Street Lighting Service	52	112	1,828	\$217	\$18	\$235	\$217	\$22	\$239	\$0	0.0%	\$4	1.6%	0.199	14
15	Street Lighting Service	53	229	8,459	\$525	\$55	\$580	\$525	\$72	\$597	\$0	0.0%	\$17	2.9%	0.199	15
16	Recreational Field Lighting	54	98	836	\$69	\$5	\$74	\$69	\$7	\$76	\$0	0.0%	\$2	2.2%	0.199	16
17	Total Public Street Lighting		9,134	49,660	\$6,091	\$545	\$6,636	\$6,091	\$644	\$6,735	\$0	0.0%	\$99	1.5%		17
18	Total Sales to Ultimate Consumers		566,272	13,577,548	\$895,837	\$13,503	\$909,340	\$895,837	\$40,522	\$936,359	\$0	0.0%	\$27,019	3.0%		18
19	Employee Discount			21,641	(\$438)	(\$4)	(\$442)	(\$438)	(\$15)	(\$453)	\$0		(\$11)			19
20	Total Sales with Employee Discount		566,272	13,577,548	\$895,399	\$13,499	\$908,898	\$895,399	\$40,507	\$935,906	\$0	0.0%	\$27,009	3.0%		20
21	AGA Revenue				\$1,554		\$1,554	\$1,554		\$1,554	\$0		\$0			21
22	Total Sales with Employee Discount and AGA		566,272	13,577,548	\$896,953	\$13,499	\$910,452	\$896,953	\$40,507	\$937,460	\$0	0.0%	\$27,009	3.0%		22

¹ Excludes effects of the BPA Energy Discount (Schedule 98), Low Income Bill Payment Assistance Charge (Schedule 91) and Public Purpose Charge (Schedule 290).

² Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules

Schedule No.

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7	Residential Energy Efficiency Rider Optional For Income Qualifying Customers
9	Residential Energy Efficiency Rider – Optional Weatherization Services – No New Service
15	Outdoor Area Lighting Service - No New Service
23	General Service – Small Nonresidential
28	General Service – Large Nonresidential – 31 – 200 kW
30	General Service – Large Nonresidential – 201 – 999 kW
37	Avoided Cost Purchases from Qualifying Facilities of 10,000 kW or Less
38	Avoided Cost Purchases from Qualifying Facilities of Greater than 10,000 kW
41	Agricultural Pumping Service
47	Large General Service - Partial Requirements Service - 1,000 kW and Over
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51	High Pressure Sodium Vapor Street Lighting Service Company-Owned System
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73	Large Customer Curtailment Option
74	Interruptible Tariff for Winter Peak – Experimental Electric Service Rider
76R	Large General Service/Partial Requirements Service – Economic Replacement Power Rider
115	Commercial and Industrial Energy Efficiency Retrofit Incentives – 20,000 Square Feet Or Less Optional For Qualifying Customers
116	Commercial and Industrial Energy Efficiency Retrofit Incentives Optional For Qualifying Customers
125	Commercial & Industrial Energy Services Optional For Qualifying Customers
135	Net Metering Optional for Qualifying Consumers
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92	Klamath Rate Reconciliation Adjustment
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97	Intervenor Funding Adjustment
98	Credit Associated with the Regional Power Act
101	Municipal Exaction Adjustment
102	Income Tax Adjustment

(N)

Issued: October 15, 2007
Effective: With service rendered on and after
June 1, 2008

P.U.C. OR No. 35
Twenty-fifth Revision of Sheet No. B-1
Canceling Twenty-fourth Revision of Sheet No. B-1

Issued by
Andrea L. Kelly, Vice President, Regulation

PACIFIC POWER & LIGHT COMPANY
SUMMARY OF EFFECTIVE RATE ADJUSTMENTS

OREGON
SCHEDULE 90

Applicable

The following summarizes the applicability of the Company's adjustment schedules

SUMMARY OF EFFECTIVE RATE ADJUSTMENTS

Schedule	91	92	93	97	98*	102	198	290	291	292	293	294	296	299
4	x	x	x	x	x	x	x	x	x					x
15	x	x	x		x	x	x	x		x		x		x
23	x	x	x		x	x	x	x		x		x		x
28	x	x	x		x	x	x	x			x	x	x	x
30	x	x	x		x	x	x	x			x	x	x	x
33	x			x	x	x		x				x		
41	x	x	x	x	x	x	x	x		x	x	x	x	x
47	x	x	x	x		x	x	x			x	x		x
48	x	x	x	x	x	x	x	x			x	x		x
50	x	x	x			x	x	x		x		x		x
51	x	x	x			x	x	x		x		x		x
52	x	x	x			x	x	x		x		x		x
53	x	x	x			x	x	x		x		x		x
54	x	x	x			x	x	x		x		x		x
723	x	x	x		x	x	x	x		x		x		x
728	x	x	x		x	x	x	x			x	x	x	x
730	x	x	x		x	x	x	x			x	x	x	x
741	x	x	x		x	x	x	x		x	x	x	x	x
747	x	x	x			x	x	x			x	x		x
748	x	x	x		x	x	x	x			x	x		x
751	x	x	x			x	x	x		x		x		x
752	x	x	x			x	x	x		x		x		x
753	x	x	x			x	x	x		x		x		x
754	x	x	x			x	x	x		x		x		x

(N)

(N)

*For qualifying customers only

Issued:	October 15, 2007	P.U.C. OR No. 35
Effective:	With service rendered on or after June 1, 2008	Eighteenth Revision of Sheet No. 90 Canceling Seventeenth Revision of Sheet No. 90

Issued By

Andrea L. Kelly, Vice President, Regulation

PACIFIC POWER & LIGHT COMPANY
INCOME TAX ADJUSTMENT

OREGON
SCHEDULE 102
Page 1

Purpose

The purpose of this schedule is to implement the automatic adjustment required by ORS 757.268 and (N)
implemented by the Commission in OAR 860-022-0041.

Applicable

To all bills for electric service calculated under all tariffs and contracts.

Balancing Account

If the Commission determines that an adjustment to rates is required under ORS 757.268, the
Company will place the adjustment amount in a balancing account and file with the Commission to
modify this adjustment schedule so as to credit or charge Consumers the amount in the balancing
account.

Interest will accrue at an appropriate rate as determined by the Commission.

Unless otherwise ordered by the Commission, revised rates under this schedule will become effective
June 1st of each year.

Adjustment Rate

The rate for all schedules is 0.199 ¢ per kWh. (N)

Issued:	October 15, 2007	P.U.C. OR No. 35
Effective:	With service rendered on and after June 1, 2008	Original Sheet No. 102