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January 27, 2006

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VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
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**Re: Closing Brief of PacifiCorp
Docket UE 173**

Enclosed for filing please find an original and 5 copies of PacifiCorp's Closing Brief in the above-referenced docket. A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to read "KAM", is written over a horizontal line. Below the signature, the name "Katherine A. McDowell" is printed in a serif font.

KAM:knp
Enclosure
cc: Service List

Oregon
Washington
California
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Idaho

1 proposed PCAM is that the failure to do so would cause a mismatching and potentially
2 permit the Company to recover more costs than it is actually incurring. PP&L/205,
3 Widmer 11.

4 ICNU also misstates and apparently misunderstands the PGE Order in respect to the
5 issue of “revenue neutrality.” ICNU Reply Brief at 6. The Commission did not “indicate
6 that a hydro-related PCAM must be revenue neutral, and this requires an asymmetric power
7 cost deadband because the cost of replacement power in poor hydro years is greater than the
8 benefits to customers in above-normal hydro years.” Rather, the Commission noted that
9 CUB made this argument in its Brief. PGE Order at 10. Moreover, ICNU appears to
10 erroneously conclude that the Commission’s policy of revenue neutrality somehow requires
11 that payments to a utility under a PCAM must equal credits to customers over time. To the
12 contrary, the Commission makes clear that it wishes to ensure that a PCAM “not bias *overall*
13 expected level of power cost recovery . . . over time.” PGE Order at 10 (emphasis added).

14 PacifiCorp has demonstrated in this proceeding that existing power cost
15 normalization methods do not permit it a reasonable opportunity to recover its power costs on
16 an expected basis over time because of issues of asymmetry. Assume, for example, that in
17 alternating years, over a ten-year period, the Company has power cost overruns of
18 \$100 million and cost savings of \$50 million, compared to normalized estimates made in
19 general rate cases.² ICNU would appear to argue that in order to assure “revenue neutrality”
20 in these circumstances, a PCAM should have equal payments and credits in alternating years.
21 However, this view is misplaced, because it would not result in the Company having a
22 reasonable opportunity to recover its “overall expected level of power costs” and would not

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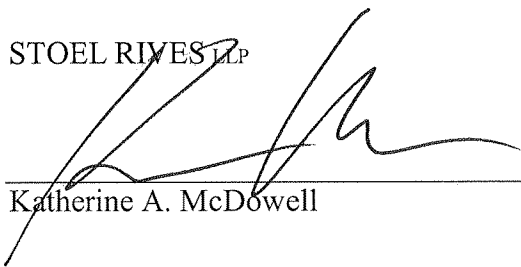
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26 ² This is a hypothetical example not intended to depict any particular actual numeric values.

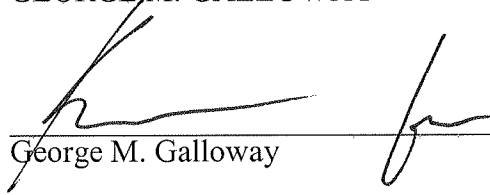
1 be "revenue neutral" over time. In this example, overall revenue neutrality is assured only if
2 the Company's PCAM charges substantially exceed its PCAM credits.

3 DATED: January 27, 2006.

4 STOEL RIVES LLP

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6 
Katherine A. McDowell

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 173 on the following named person(s) on the date indicated below by email and first-class mail, addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: January 27, 2006.


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