

ALJ/SMW/avs

Date of Issuance 9/3/2010

Decision 10-09-010 September 2, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFICORP (U901-E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2011.

Application 09-11-015
(Filed November 20, 2009)

DECISION APPROVING SETTLEMENT AGREEMENT

Table of Contents

DECISION APPROVING SETTLEMENT AGREEMENT 2

1. Summary 2

2. Background..... 2

 2.1. Procedural History 2

 2.2. The System 5

3. Other Procedural Issues..... 5

 3.1. Change in Determination on Need for Hearings 5

 3.2. Admittance of Testimony and Exhibits into Record 6

 3.3. Motion to File Under Seal and Motion
 to Seal the Evidentiary Record 6

4. The Settlement Agreement..... 7

 4.1. Revenue Requirement 7

 4.2. Cost of Capital 8

 4.3. Marginal Cost, Revenue Allocation and Rate Design 8

 4.4. Other Provisions 9

 4.4.1. Post-Test Year Adjustment Mechanism 9

 4.4.2. Klamath Relicensing and Process Costs..... 10

 4.4.3. Taxes 11

 4.4.3.1. Repairs Deduction 11

 4.4.3.2. Post-Retirement Benefits 11

 4.4.4. Rate Base Adjustments 12

 4.4.5. Allocation methodology 12

 4.4.6. Pre-funded Removal Costs..... 13

5. Discussion 13

 5.1. Standard of Review 13

 5.2. Settlement Agreement is Reasonable
 in Light of the Whole Record 15

 5.3. Settlement Agreement is Consistent with Law 15

 5.4. Settlement Agreement is in the Public Interest 16

6. Comments on Proposed Decision 16

7. Assignment of Proceeding 17

Findings of Fact..... 17

Conclusions of Law 17

ORDER 18

ATTACHMENT A - List of Testimony and Exhibits
 Entered into Record in A.09-11-015

DECISION APPROVING SETTLEMENT AGREEMENT

1. Summary

This decision approves an all party settlement agreement entered into by PacifiCorp, an Oregon Company (PacifiCorp), the Division of Ratepayer Advocates, and The California Farm Bureau Federation, the active parties in this General Rate Case proceeding. The three parties reflect a variety of affected interests in this proceeding. The settlement agreement establishes a revenue requirement, allocates the revenue requirement responsibility among customer classes, designs a rate structure, and resolves all issues in PacifiCorp's application.

For the 2011 test year, PacifiCorp is authorized to increase its revenue by \$4.06 million, or 4.6% overall. This revenue increase is designed to provide PacifiCorp an opportunity to earn a return on equity of 10.60% and a return on rate base of 8.37%.

2. Background

2.1. Procedural History

On November 20, 2009, PacifiCorp, an Oregon Company (PacifiCorp) filed its 2011 test year general rate case (GRC) application seeking an overall revenue requirement increase of approximately \$8.36 million to provide it with an opportunity to earn an 11.00% return on equity (ROE) and a rate of return (ROR) of 8.69%. The requested revenue requirement increase results in an overall 9.6% rate increase to PacifiCorp's California customers. On November 20, 2009, PacifiCorp also filed *Motion of PacifiCorp to File Under Seal; Confidential Material Attached and Filed Under Seal, Namely, Exhibit PPL/503, Exhibit PPL/504, Exhibit PPL/505 and Exhibit PPL/702 to Application Filed Concurrently Herewith* (Motion to File Under Seal).

On December 3, 2009, Resolution ALJ 176-3245 preliminary determined that the PacifiCorp Application was a ratesetting proceeding and that hearings would be necessary. On December 7, 2009, PacifiCorp filed a Notice of Compliance with the Commission's Rules of Practice and Procedure Rule¹ 3.2(c) and on January 14, 2010 PacifiCorp filed a Notice of Compliance with Rule 3.2(d).

The Division of Ratepayer Advocates (DRA) filed a protest on December 23, 2009 and PacifiCorp replied on January 4, 2010. On December 23, 2009, the Chief Administrative Law Judge issued a *Notice of Prehearing Conference*.

The February 4, 2010 prehearing conference (PHC) in San Francisco established the service list for the proceeding, discussed the scope of the proceeding, and developed a preliminary procedural timetable for the management of the proceeding. In addition to PacifiCorp, DRA and the California Farm Bureau Federation (Farm Bureau) were granted party status.

The *Assigned Commissioner's Ruling and Scoping Memo* (Scoping Memo) issued on February 10, 2010, set forth the procedural schedule, assigned the presiding officer, and addressed the scope of this proceeding and other procedural matters following the PHC. The Scoping Memo also confirmed the preliminary determination of ratesetting and the necessity for hearings.

¹ Unless specified otherwise, all subsequent references to Rules are to the Commission's Rules of Practice and Procedure.

On May 10, 2010, DRA and the Farm Bureau each served testimony in response to PacifiCorp's application. On May 25, 2010, the assigned Administrative Law Judge (ALJ) issued *Administrative Law Judge's Ruling on Request to Suspend Schedule* (Ruling) to allow the parties to engage in settlement discussions as requested by PacifiCorp and DRA. On May 28, 2010, PacifiCorp served a *Status Report on Settlement Discussion in the PacifiCorp 2011 General Rate Case*. On June 11, 2010, PacifiCorp, DRA, and the Farm Bureau (collectively known as "Joint Parties") filed their *Status Report on Settlement Procedures*.

On May 20, 21, and 27, 2010, the parties convened settlement conferences pursuant to Rule 12. 1(b). The May 27, 2010 conference was noticed seven days in advance. On June 23, 2010, the Joint Parties filed their *All-Party Joint Motion for Commission Approval and Adoption of Settlement Agreement* (Joint Motion). The *Settlement Agreement among PacifiCorp, The Division of Ratepayer Advocates and the California Farm Bureau Federation* (Settlement Agreement) is attached to the Joint Motion.² Appendix A - E to the Settlement Agreement include: a) a comparison of PacifiCorp's and DRA's original revenue requirement proposals and the Joint Parties mutually accepted revenue requirement; b) the calculation of the \$4.06 million increase in base rates which incorporates the adjustments stated in the Settlement Agreement; c) mutually agreed allocation of revenue requirement to rate schedule classes; d) a summary of present and proposed rates; and e) the billing determinants for the proposed rates.

² The Settlement Agreement can be found at <http://docs.cpuc.ca.gov/EFILE/MOTION/120093.htm>.

On July 16, 2010, the Joint Parties filed their *All-Party Joint Motion of PacifiCorp, California Farm Bureau Federation, and Division of Ratepayer Advocates to Admit Prepared Testimonies and Evidence* and their *All-Party Joint Motion of PacifiCorp, California Farm Bureau Federation, and Division of Ratepayer Advocates to Seal Portions of the Evidentiary Record*.

2.2. The System

PacifiCorp is a multi-jurisdictional investor-owned public utility engaged in the business of providing electric retail service in portions of Northern California and in the states of Oregon, Utah, Washington, Idaho and Wyoming. PacifiCorp provides retail electric service to approximately 46,500 customers in the Northern California counties of Siskiyou, Del Norte, Modoc and Shasta.

3. Other Procedural Issues

3.1. Change in Determination on Need for Hearings

The February 10, 2010 Scoping Memo confirmed the categorization of this proceeding as ratesetting and that evidentiary hearings were necessary. However, the proposed settlement is governed by Rules 12.1 et seq. which provide that no hearing is necessary if there are no material contested issues of fact, or if the contested issue is one of law. After review of the Joint Motion, the Settlement Agreement, the application, prepared testimony and exhibits, and other filed documents in the record, we have determined that no material contested issue of fact remain and conclude that no hearing is required pursuant to Rule 12.3. We therefore change the designation regarding hearings and determine that no hearings are necessary.

3.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in Application (A.) 09-11-015, there was no opportunity to enter testimony and exhibits into the record. In order to fairly assess the Settlement Agreement, it is necessary to include all testimony and exhibits submitted by the Joint Parties into the record of A.09-11-015. On July 16, 2010, pursuant to Rule 13.8(d), the Joint Parties filed their *All-Party Joint Motion of PacifiCorp, California Farm Bureau Federation, and Division of Ratepayer Advocates to Admit Prepared Testimonies and Evidence* requesting that each party's testimony be admitted into the record. We therefore admit into evidence PacifiCorp's, DRA's, and the Farm Bureau's testimony and exhibits, as detailed in Attachment A to this decision, that were served on the service list in A.09-11-015. The confidential nature of selected exhibits are addressed in Section 3.3 below.

3.3. Motion to File Under Seal and Motion to Seal the Evidentiary Record

PacifiCorp filed a motion for leave to file under seal Exhibits PPL/503, PPL/504, PPL/505, and PPL/702. Since testimony is not filed, we deny PacifiCorp's Motion to file the above referenced exhibits under seal pursuant to Rule 11.4.

Subsequently, on July 16, 2010, pursuant to Rule 11.5(b), the Joint Parties filed their *All-Party Joint Motion of PacifiCorp, California Farm Bureau Federation, and Division of Ratepayer Advocates to Seal Portions of the Evidentiary Record* regarding PacifiCorp's Exhibits PPL/503, PPL/504, PPL/505, and PPL/702, and DRA's Exhibit DRA-7. Exhibits PPL/503, PPL/504, PPL/505, and PPL/702 contain, respectively, Global Insight Indices, property tax calculations, five years of actual and escalated financial data by FERC account, and its

marginal cost service study. PacifiCorp represents that the information is confidential, and that if revealed, would place it at an unfair business disadvantage. DRA's Exhibit DRA-7 addresses plant in service. We have granted similar requests in the past and do so here regarding PacifiCorp's Exhibits PPL/503, PPL/504, PPL/505, and PPL/702 and DRA's Exhibit DRA-7. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit.

4. The Settlement Agreement

The proposed Settlement Agreement is an all-party settlement and resolves all issues raised in the protests and all elements of PacifiCorp's request. No protests or comments were filed in response to the Joint Motion. Rather than summarize every term of the Settlement Agreement attached to the Joint Motion, we summarize the key portions of the Settlement Agreement as follows.

4.1. Revenue Requirement

In its application, PacifiCorp proposed an overall revenue requirement increase of \$8.36 million for Test Year 2011 based primarily on significant investments in new transmission and distribution facilities and an increase in the proposed rate of return from 8.53% to 8.69%. DRA recommended a \$0.13 million increase in revenue requirement. Major differences between PacifiCorp's and DRA's proposed revenue requirements are the result of differences regarding estimated revenues, expenses, rate base, depreciation, and cost of capital.

The Settlement Agreement proposes a \$4.06 million increase to PacifiCorp's revenue requirement, which equates to approximately 49% of PacifiCorp's original request. This increase in rates will allow PacifiCorp to continue to provide safe and reliable service to its California customers while

recognizing the impact rate increase would have on ratepayers during difficult financial times.

4.2. Cost of Capital

PacifiCorp proposed a capital structure of 54.41% Common Equity, 0.28% Preferred Stock, 45.31% Long-term Debt. PacifiCorp proposed a ROE of 11.00%, Cost of Preferred Stock of 5.41%, and Cost of Long-term Debt of 5.94%, which resulted in a weighted average ROR of 8.69%. No party opposed PacifiCorp's proposed Cost of Preferred Stock or Long-term Debt. DRA proposed a capital structure of 50.74% Common Equity, 0.32% Preferred Stock, 48.94% Long-term Debt, a ROE of 10.31%, and a weighted average ROR of 8.15%. As a result of the settlement negotiations, the Joint Parties agree to a capital structure of 52.20% Common Equity, 0.30% Preferred Stock, 47.50% Long-term Debt, a ROE of 10.60%, and a weighted average ROR of 8.37%.

4.3. Marginal Cost, Revenue Allocation and Rate Design

In its testimony, DRA did not contest PacifiCorp's marginal cost study, its use of a rate cap, and its move of the remaining commercial customers on the long-closed AWH-31 rate schedule to another schedule. In its testimony, the Farm Bureau supported PacifiCorp's agricultural rate design which includes lower demand charges and higher energy charges, and its use of rate caps to mitigate the larger rate increases that may arise from the cost of service study. In the Settlement Agreement, the Joint Parties resolve the revenue allocation and rate design issues as follows:

1. Customer charges by class will change:
 - a. Residential – from \$5.98 to \$6.25
 - b. Residential CARE – from \$4.78 to \$5.00
 - c. General Service:
 - i. A-25 Single-Phase – from \$11.27 to \$11.50

- ii. A-32 Single-Phase – from \$11.27 to \$11.41
 - iii. A-36 – from \$202.75 to \$205.23
 - iv. AT-48 from \$405.53 to \$411.31
 - d. Airway & Athletic Lighting Single-Phase – from \$10.03 to \$9.28.
 - e. Agricultural Pumping:
 - i. Annual Load Size Charge Single Phase - from \$68.72 to \$65.23.
 - ii. Distribution Demand Single Phase - from \$14.86 to \$14.10.
2. All applicable rate components other than residential Basic Charges will be calculated by applying an equal percentage change by function.
3. Rates per kilowatt hour to implement the agreed upon revenue requirement will change:
- a. Residential – from \$0.10033 to \$0.10570
 - b. Residential CARE – from \$0.08026 to \$0.08456
 - c. General Service:
 - i. A-25 from \$0.11953 to \$0.12422
 - ii. A-32 from \$0.09742 to \$0.09764
 - iii. A-36 from \$0.06206 to \$0.6106
 - iv. AT-48 from \$0.11953 to \$0.12422
 - d. Airway & Athletic Lighting Single-Phase – from \$0.13634 to \$0.14449.
4. PacifiCorp will submit a compliance filing of its revised tariff sheets reflecting the agreed upon rates.

4.4. Other Provisions

4.4.1. Post-Test Year Adjustment Mechanism

In its application, PacifiCorp proposed continuation of its previously authorized Post-Test Year Adjustment Mechanism (PTAM) for Attrition as well

as its PTAM for Major Capital Additions.³ In its testimony, DRA agreed with the continuation of both of these mechanisms in 2012 and 2013, as long as their use complies with applicable Commission decisions, policies, and practices. The Settlement Agreement reiterates this compliance, as well as the timing of PTAM filings, inputs and methodologies used, and types of capital additions included.

4.4.2. Klamath Relicensing and Process Costs

In its application, PacifiCorp proposed to include \$1.22 million (California Jurisdictional allocated amount) for Klamath Relicensing and Process Costs incurred due to activity at the Federal Energy Regulatory Commission. In its testimony, DRA rejected the inclusion of these expenditures in the determination of rates until voters approve a bond measure that may provide funding, and proposed that PacifiCorp file a new application requesting recovery of these expenses in which it would make an affirmative showing that justifies the expenditures and demonstrates compliance with the Klamath Hydroelectric Settlement Agreement and California statutes. In the Settlement Agreement, the Joint Parties agree that PacifiCorp will submit a filing to seek recovery in rates of Klamath Relicensing and Process Costs. DRA and PacifiCorp agree to initiate a consultation process at least 90 days prior to PacifiCorp's filing, in order for DRA to assess the reasonableness and purposes of the expenditures. PacifiCorp's new application will be made after resolution of PacifiCorp's A.10-03-015, related to the Klamath Hydroelectric Settlement Agreement.

³ See D.06-12-011, Attachment A at 7.

4.4.3. Taxes

4.4.3.1. Repairs Deduction

In determining its proposed revenue requirement, PacifiCorp reflected the full tax benefits of the repairs deduction, which is a recent change in the method of accounting for income tax purposes. The tax benefits generated by the repairs deduction involve a materially higher than normal risk as compared to other book-tax differences, because the method of accounting is new and still unaudited by the Internal Revenue Service. Accordingly, the Joint Parties agree that PacifiCorp will establish a memorandum account to record the difference in revenue requirement calculated using the estimates of the repairs deductions reflected in A.09-10-015 and the repairs deductions actually taken in the Company's Federal income tax returns for the period 2008-2011. Interest paid to the Internal Revenue Service based on adjustments to the repairs deductions taken in the Company's Federal income tax returns for the period 2008-2011 will also be reflected in the memorandum account.

The Joint Parties further agree that the costs recorded in the memorandum account discussed above will not be recoverable until reviewed and approved by the Commission in PacifiCorp's next California general rate case.

4.4.3.2. Post-Retirement Benefits

Due to a change in the tax treatment of post-retirement benefits due to enactment of the *Patient Protection and Affordable Care Act*, subsequently modified by the *Health Care and Education Reconciliation Act*, the agreed upon revenue requirement includes the tax impact of the Act during the rate cycle in this proceeding and the recovery of tax benefits previously reflected in rates that will no longer be realized as a result of the Act.

4.4.4. Rate Base Adjustments

In its application, PacifiCorp requested recovery of fuel stock cost and the cost of weatherization loans in its proposed rate base, which DRA rejected. In its testimony, DRA proposed that PacifiCorp recover fuel cost through an Energy Cost Adjustment Clause (ECAC) filing. DRA also used more recent projections of capital expenditures in the determination of its proposed rate base than PacifiCorp did. In the Settlement Agreement, the Joint Parties agree that PacifiCorp will: 1) seek recovery of fuel stock through future ECAC filings; 2) not seek recovery of costs for its weatherization loans as part of rate base in this and future California general rate case filings; and 3) adjust capital additions in the current case to reflect an updated forecast of the expected level of capital additions.

4.4.5. Allocation methodology

In its application, PacifiCorp used the Revised Protocol Inter-Jurisdictional Allocation Methodology adopted in its last GRC decision.⁴ In its testimony, DRA agreed with the use of this methodology. In the Settlement Agreement, Joint Parties agree that PacifiCorp will continue to utilize the Revised Protocol Inter-Jurisdictional Allocation Methodology to determine the revenue requirement for all filings made in California, including but not limited to PTAM, ECAC, and GRC applications.

⁴ See D.06-12-011 at 1 and 23, and Ordering Paragraph 1.

4.4.6. Pre-funded Removal Costs

In its served testimony, DRA proposed that the Commission require PacifiCorp to provide information concerning pre-funded removal costs⁵ in its next rate case filing, consistent with D.07-03-044. In the Settlement Agreement, the Joint Parties agree that PacifiCorp will provide the following information in subsequent rate case filings, with California distribution pre-funded removal costs shown separately:

- The most current balance of pre-funded removal costs;
- A year-by-year projection of: (1) when the then-existing balance of prefunded removal costs will be consumed; and (2) the implicit inflation rate for future asset removal costs; and
- A five-year projection of the year-end balance of pre-funded removal costs that shows for each year: (1) the gross additions to the balance; (2) the gross expenditures for removal costs; and (3) the net change in the balance of pre-funded removal costs.

5. Discussion

5.1. Standard of Review

We review this uncontested settlement pursuant to Rule 12.1(d) which provides that, prior to approval, the Commission must find a settlement “reasonable in light of the whole record, consistent with the law, and in the public interest.” We find the settlement agreement meets the Rule 12.1(d) criteria, and discuss each of the three criteria below.

⁵ Amount of cost to remove regulated assets at retirement that is included in depreciation expense and accrued in depreciation reserve.

Initially, we note that the circumstances of the settlement, particularly its endorsement by all parties, generally support its adoption. DRA, which represents ratepayer interests, initially protested the application. The Farm Bureau, which represents agricultural interests, and DRA, both actively participated in the proceeding and in the settlement negotiations. In addition to PacifiCorp's application, testimony, and exhibits, DRA's served testimony on all revenue requirement and rate design issues raised in the application, while the Farm Bureau served testimony regarding agricultural rate design and rate caps. Thus, the Settlement Agreement was reached after careful analysis of the application by parties representing a broad array of affected interests. The record also shows that the Settlement Agreement was reached after substantial give-and-take between the parties which occurred over several settlement conferences. This give-and-take is demonstrated by the positions initially taken by parties in the application, testimony, and the final positions agreed upon in the Settlement Agreement.

The Settlement Agreement is also consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.⁶ This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.⁷ As long as a settlement taken as a whole is reasonable in light of the record, consistent with

⁶ See D.05-03-022 at 9.

⁷ See D.05-03-022 at 9.

law, and in the public interest, it may be adopted. We next analyze these criteria with specific reference to the Settlement Agreement.

**5.2. Settlement Agreement is Reasonable
in Light of the Whole Record**

Ordinarily, a question about utility rates is measured by whether the price is “just and reasonable.” (See Public Utilities Code § 451.)⁸ We first examine whether the proposed rate increases are justified in the proceeding record. We find that they are. The documents filed in this proceeding, including but not limited to, the Application, DRA’s protest, testimony and exhibits served by the various parties and admitted to the record by this Decision, the Joint Motion, and Settlement Agreement, contain the information necessary for us to find that the revenue requirement is justified by the increased cost of service.

The Settlement Agreement is also reasonable. Prior to the settlement, parties conducted extensive discovery, and served detailed testimony on the issues related to revenue requirement and rate design. The proceeding record contains sufficient information for us to conclude the Settlement Agreement represents a reasonable compromise of the parties’ positions.

**5.3. Settlement Agreement
is Consistent with Law**

The Joint Parties believe that the terms of the Settlement Agreement comply with all applicable statutes. These include, e.g., § 451, which requires that utility rates must be just and reasonable, and § 454, which prevents an increase in public utility rates unless the Commission finds such an increase

⁸ All references are to the Public Utilities Code unless otherwise noted.

justified. We agree that the required showings under §§ 451 and 454 have been made. Further, nothing in the Settlement Agreement contravenes statute or prior Commission decisions.

5.4. Settlement Agreement is in the Public Interest

The Settlement Agreement is in the public interest and in the interest of PacifiCorp's customers. The agreed-upon revenue requirement is significantly below PacifiCorp's original request. The revenue allocation and rate design proposed in the Settlement Agreement not only moderate potentially harsh bill impacts but also moves revenue responsibility closer to the cost of service.

Approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties. Finally, we note that the settling parties comprise all of the active parties in PacifiCorp's GRC, and we do not know of any party who contests the Settlement Agreement. Thus, the Settlement Agreement commands the unanimous sponsorship of all active parties in this proceeding, who fairly represent the interests affected by the Settlement Agreement. We find that the evidentiary record contains sufficient information for us to determine the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter. For all these reasons, we approve the Settlement Agreement as proposed.

6. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Pub. Util. Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

7. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. On June 23, 2010, the Joint Parties filed an All-Party Motion requesting the Commission to adopt a settlement agreement entitled *The Settlement Agreement among PacifiCorp, The Division of Ratepayer Advocates, and the California Farm Bureau Federation*.

2. All issues in this proceeding are encompassed by, and resolved in, the Settlement Agreement.

3. The parties to the Settlement Agreement are all of the active parties in this proceeding.

4. The parties are fairly reflective of the affected interests.

5. No term of the Settlement Agreement contravenes statutory provisions or prior Commission decisions.

6. The Settlement Agreement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

7. The Settlement Agreement is reasonable in light of the record, is consistent with law, and is in the public interest.

8. The revenue requirement as set forth in the Settlement Agreement is reasonable.

9. The revenue allocation set forth in the Settlement Agreement is reasonable.

Conclusions of Law

1. The Settlement Agreement is reasonable in light of the whole record, consistent with law, in the public interest and should be approved.

2. This decision should be effective today so that the Settlement Agreement may be implemented expeditiously.

3. The testimony and exhibits served by PacifiCorp, DRA, and the Farm Bureau in A.09-11-015 should be admitted into the record (see Attachment A for list of documents entered into the record).

4. The Joint Parties motion to seal portions of the evidentiary record, including PacifiCorp's Exhibits PPL/503, PPL/504, PPL/505, and PPL/702 and DRA's Exhibit DRA-7, should be granted for 2 years.

5. A.09-11-015 should be closed.

O R D E R

IT IS ORDERED that:

1. *The Settlement Agreement among PacifiCorp, The Division of Ratepayer Advocates, and the California Farm Bureau Federation, as set forth in the Attachment to the All-Party Joint Motion for Commission Approval and Adoption of Settlement Agreement is approved.*

2. Within 30 days of today's date, PacifiCorp, an Oregon Company, shall file a Tier 1 advice letter with tariff changes and new rates. The tariffs shall become effective on January 1, 2011, subject to the Energy Division's determination that they are in compliance with this decision.

3. The testimony and exhibits served by PacifiCorp, an Oregon Company, the Division of Ratepayer Advocates, and the California Farm Bureau Federation in Application 09-11-015 are admitted into the record (see Attachment A for list of documents entered into the record).

4. The Joint Parties' motion to seal portions of the evidentiary record, including PacifiCorp's Exhibits PPL/503, PPL/504, PPL/505, and PPL/702 and

Division of Ratepayer Advocates' Exhibit DRA-7 is granted. The information will remain under seal for a period of two years after the date of this order.

During this two-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge, the Assistant Chief Administrative Law Judge, or the Chief Administrative Law Judge, except as agreed to in writing by PacifiCorp, an Oregon Company, the Division of Ratepayer Advocates, or as ordered by a court of competent jurisdiction. If PacifiCorp or the Division of Ratepayer Advocates believes that it is necessary for this information to remain under seal for longer than two years, PacifiCorp or the Division of Ratepayer Advocates may file a new motion at least 30 days before the expiration of this limited protective order.

5. PacifiCorp must establish a memorandum account to be effective January 11, 2011, to record the difference in revenue requirement calculated using the estimates of the repairs deductions reflected in Application 09-10-015 and the repairs deductions actually taken in the Company's Federal income tax returns for the period 2008-2011. Interest paid to the Internal Revenue Service based on adjustments to the repairs deductions taken in the Company's Federal income tax returns for the period 2008-2011 must also be reflected in the memorandum account.

6. The preliminary determination regarding the need for hearing is changed from yes to no. Hearings are not necessary.

7. Application 09-11-015 is closed.

This order is effective today.

Dated September 2, 2010, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

Attachment A

List of Testimony and Exhibits

Entered into Record in A.09-11-015

| Testimony/Exhibit Number | Title |
|---|---|
| PacifiCorp, an Oregon Company - Testimony and Exhibits | |
| PPL/100 | Policy |
| PPL/200 | Return on Equity |
| PPL/201 | Resume |
| PPL/202 | Comparable Company Fundamental Characteristics |
| PPL/203 | Capital Market Data |
| PPL/204 | GDP Growth Rates |
| PPL/205 | Discounted Cash Flow Analysis |
| PPL/206 | Risk Premium Analysis |
| PPL/300 | Capital Structure, Cost of Debt and Preferred |
| PPL/301 | Pro Forma Cost of Long Term Debt |
| PPL/302 | Letter from Arizona Public Service Company Filed with the Arizona Corporation Commission |
| PPL/303 | May 7, 2007 Standard & Poor's Publication "Standard and Poor's Methodology for Imputing Debt for U.S. Utilities' Power Purchase Agreements" |
| PPL/304 | April 1, 2009 Standard & Poor's "Ratings Direct" Report |
| PPL/305 | Indicative Forward PCR Variable Rates |
| PPL/306 | Embedded Cost of Preferred Stock |
| PPL/400 | Populus to Terminal Transmission Line |
| PPL/401 | Energy Gateway Transmission Expansion Plan Map |
| PPL/402 | Populus to Terminal Map |
| PPL/403 | Congestion on Western Transmission Paths |
| PPL/404 | FERC Order Granting Incentive Rate Treatment to PacifiCorp |
| PPL/500 | Revenue Requirement |
| PPL/501 | Summary of the California Results of Operations |
| PPL/502 | California Results of Operations December 2011 |

| Testimony/Exhibit Number | Title |
|---|---|
| PacifiCorp, an Oregon Company - Testimony and Exhibits | |
| PPL/503 | Global Insight Indices |
| PPL/504 | Property Taxes |
| PPL/505 | Five Years of Data by FERC Account |
| PPL/503C | Global Insight Indices |
| PPL/504C | Property Taxes |
| PPL/505C | Five Years of Data by FERC Account |
| PPL/600 | Employee Compensation |
| PPL/601 | 2009 Annual Incentive Plan Description |
| PPL/602 | 2009 Performance Factors |
| PPL/700 | Cost of Service |
| PPL/701 | December 2011 Functionalized Class Revenue Requirement |
| PPL/702 | Marginal Cost of Service Study |
| PPL/702C | Marginal Cost of Service Study |
| PPL/800 | Rate Spread and Rate Design |
| PPL/801 | Determination of Present and Proposed Revenues - Distributed by Rate Schedule |
| PPL/802 | Proposed Revised Tariffs |
| PPL/803 | Adjustment to Marginal Cost of Service Results |
| PPL/804 | Billing Determinants for Present and Proposed Rates |
| PPL/805 | Monthly Billing Comparisons by Rate Schedule |

| Testimony/Exhibit Number | Title |
|---|---|
| Division of Ratepayer Advocates - Testimony and Exhibits | |
| DRA-1 | Executive Summary |
| DRA-2 | Summary of Earnings |
| DRA-3 | Sales, Customers, and Operating Revenues |
| DRA-4 | Operating and Maintenance Expenses |
| DRA-5 | Administrative and General Expenses |
| DRA-6 | Taxes: Income, Property, and Payroll |
| DRA-7 | Plant in Service (Public - Redacted) |
| DRA-7C | Plant in Service (Confidential - Unredacted) |
| DRA-8 | Depreciation Expenses and Reserve |
| DRA-9 | Rate Base |
| DRA-10 | Cost of Capital |
| DRA-11 | Post-Test year Ratemaking |
| DRA-12 | Cost Allocation and Rate Design |
| DRA-13 | Qualifications of Witnesses |
| California Farm Bureau Federation | |
| CFBF-1 | Testimony of Wendy L. Illingworth, Economic Insights, On behalf of California Farm Bureau Federation |

(END OF ATTACHMENT A)