

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PACIFICORP
(U-901-E), an Oregon Company, for an Order
Authorizing a General Rate Increase Effective
January 1, 2019.

Application No. 18-04-____
(Filed April 12, 2018)

**APPLICATION OF PACIFICORP (U-901-E) FOR AN ORDER AUTHORIZING A
GENERAL RATE INCREASE**

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Pursuant to Articles 2 and 3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) and Sections 451, 454, 491, 701, 728, and 729 of the California Public Utilities Code (Cal. Pub. Util. Code), PacifiCorp d/b/a Pacific Power (PacifiCorp), respectfully submits this application requesting approval to increase its rates for electric service in California beginning January 1, 2019 (Application). As described below, PacifiCorp proposes a modest increase of approximately \$1.06 million, or a 0.9 percent net increase, to its base electric rates in California. The revised rates will ensure PacifiCorp maintains its financial integrity while it makes the necessary capital investments to transition to a cleaner energy future.

I. BACKGROUND

PacifiCorp is a multi-jurisdictional utility providing retail electric service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. In northern California, PacifiCorp serves approximately 45,000 customers spread over more than 11,000 square miles in portions of Del Norte, Modoc, Shasta, and Siskiyou counties.

As described in the testimony of Mr. Scott D. Bolton, PacifiCorp is filing its first general rate case since 2011.¹ Since that time, the company, and indeed the electricity sector, have undergone significant changes driven by public policy, emerging and maturing technologies, and new levels of customer engagement. PacifiCorp has managed this transition without losing focus on maintaining the affordability of essential electricity services for its customers in its heavily rural and economically challenged service territory. The modest increase is evidence of the cost-conscious and prudent actions taken by PacifiCorp to control its costs and provide safe and reliable energy to its customers at a fair price. PacifiCorp's diligence in managing its costs has allowed the company to propose to accelerate depreciation for its coal-fired generation resources and invest in a clean energy future, while keeping rates relatively flat for its customers.

II. SUMMARY OF APPLICATION

A. Revenue Requirement and Rate Design

As a regulated utility, PacifiCorp has a duty and an obligation to provide safe, adequate, and reliable service to customers in its California service territory while balancing costs, risks, and state energy policy objectives. PacifiCorp's proposed rate increase is due to a combination of factors, including, among other things, increased operating expenses and company investments in generation, transmission, and distribution assets.

PacifiCorp is in the process of transitioning to a clean energy future by investing in additional capacity from renewable resources. The test period in this case includes a portion of significant new renewable energy and infrastructure investments, known as Energy Vision 2020, to serve customers from more clean energy resources, as part of PacifiCorp's long-term plan to

¹ *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 (A.) 09-11-015 (filed November 20, 2009).

build an energy future that is increasingly reliable and decreases greenhouse gas emissions, while maintaining affordability for its customers. One key component of Energy Vision 2020 is expanding the amount of wind power serving PacifiCorp customers with the repowering project which increases the capacity of certain existing wind-generation facilities.

PacifiCorp also seeks to mitigate current risks by increasing flexibility to address changing carbon policy. Specifically, PacifiCorp is proposing to accelerate depreciation on coal-fired resources so that all coal facilities will be fully depreciated by 2029 or earlier.

PacifiCorp is not proposing any change to its currently authorized return on equity (ROE). Based on recent changes to the federal tax code and the evidence provided in the testimony and exhibits of Ms. Shelley E. McCoy, PacifiCorp will earn a ROE in California of 10.08 percent for the test period. This return is less than the company's currently authorized 10.6 percent ROE, which is the ROE requested by the company and supported by the testimony of Mr. Kurt G. Strunk in this proceeding. An overall price increase of approximately \$1.06 million or 0.9 percent is required to produce the 10.6 percent ROE necessary to maintain PacifiCorp's financial integrity while making the necessary capital investments to transition to a cleaner energy future.

The \$1.06 million increase represents an overall base revenue requirement increase of 1.0 percent, or a 0.9 percent increase on a net basis to PacifiCorp's California retail customers to become effective January 1, 2019. Based on the results of the proposed rate spread presented in the testimony and exhibits of Ms. Judith M. Ridenour, PacifiCorp's proposed increase would result in the following percentage rate changes by customer class:

Customer Class	Proposed Base Price Change	Proposed Net Price Change
Residential	2.2 percent	1.9 percent
General Service		
Schedule A-25	0.0 percent	0.0 percent
Schedule A-32	0.0 percent	0.0 percent
Schedule A-36	0.0 percent	0.0 percent
Large General Service		
Schedule AT-48	0.0 percent	0.0 percent
Irrigation		
Schedule PA-20	0.0 percent	0.0 percent
Lighting	-10.0 percent	-8.8 percent
Overall	1.0 percent	0.9 percent

B. Format of Filing

While preparing this general rate case, PacifiCorp and the Office of Ratepayer Advocates (ORA) discussed the necessary content and appropriate format of the filing. PacifiCorp agreed to certain requirements regarding the data to be provided and the format for filing the application and exhibits. This filing meets these requirements in a number of ways. For example, PacifiCorp has provided specific information including five years of detailed accounting data. In addition, PacifiCorp has provided summaries of the request and descriptions of certain methodologies used in developing the revenue requirement. Finally, PacifiCorp has provided the revenue requirement workpapers and has cross-referenced the workpapers, exhibits, and testimony, as requested.

C. Post Test Year Adjustment Mechanism (PTAM) Attrition Factor

PacifiCorp requests authorization to continue the PTAM Attrition Factor adjustment as approved in A.05-11-022, extended in A.09-02-003 and A.09-11-015 (2011 Rate Case). The Commission has subsequently authorized the continuation of this mechanism in decisions following the 2011 Rate Case. PacifiCorp proposes that the same mechanism previously approved by the Commission be used to adjust PacifiCorp rates effective January 1 of calendar years between rate cases. This request is explained in the testimony of Mr. Bolton.

III. PROCEDURAL HISTORY

A. 2011 Rate Case

The company filed its last general rate case in California on November 20, 2009 (A.09-11-015). In that application, PacifiCorp requested an increase in general rates of \$8.36 million, representing an overall increase of 9.6 percent to PacifiCorp's California retail customers. On June 23, 2010, PacifiCorp submitted an all-party settlement agreement to the Commission that resolved all the issues in the general rate case. On September 2, 2010, in D.10-09-010, the Commission approved PacifiCorp's general rate increase and adopted the terms of the settlement.

B. Subsequent Applications to Modify

On July 6, 2012, PacifiCorp filed a petition to modify D.10-09-010 requesting an exception to the three-year rate case cycle to allow PacifiCorp to forego filing a rate case with a 2014 test year. PacifiCorp also sought authorization to extend the use of the PTAM Attrition Factor adjustment to set rates effective January 1, 2014. The petition to modify was approved in D.12-10-006. On May 8, 2013, PacifiCorp sought modification of D.12-10-006. PacifiCorp asked for authority to file for a PTAM Attrition Factor increase effective January 1, 2015, and to forego filing a general rate case for test year 2015. The Commission granted PacifiCorp's request in D.13-07-026.

On March 19, 2014, PacifiCorp filed a petition to modify D.13-07-026, requesting authority to file for a PTAM Attrition Factor increase effective January 1, 2016, and to forego filing a general rate case for test year 2016. The Commission granted PacifiCorp's petition in D.14-06-018. On August 25, 2015, PacifiCorp sought modification of D.14-06-018. PacifiCorp requested authority to file for a PTAM Attrition Factor increase effective January 1, 2017, and to

forgo filing a general rate case for test year 2017. The Commission granted the petition for modification in D.15-12-018. On May 12, 2016, PacifiCorp filed a petition to modify D.15-12-018 and requested authority to forgo filing a general rate case for test year 2018, but did not request authority to file for a PTAM Attrition Factor increase for 2018. The Commission granted the petition in D.16-09-046.

IV. STATUTORY AND REGULATORY REQUIREMENTS

A. Statutory and Other Authority (Rule 2.1)

Rule 2.1 requires that all applications state clearly and concisely the authorization or relief sought; cite by appropriate reference the statutory provision or other authority under which Commission authorization or relief is sought; and be verified by the applicant. The relief being sought is summarized in Section II above and is further described in the testimony and supporting exhibits accompanying this Application. The statutory and other authority under which this relief is being sought includes Articles 2 and 3 of the Rules, Sections 451, 454, 491, 701, 728, and 729 of the Cal. Pub. Util. Code, and prior decisions, orders, and resolutions of this Commission. This Application has been verified by an officer of PacifiCorp in accordance with the requirements of Rules 1.1 and 2.1.

B. Proposed Categorization, Need for Hearing, Issues to be Considered, and Proposed Schedule (Rule 2.1(c))

Rule 2.1(c) requires PacifiCorp to state “[t]he proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.” PacifiCorp proposes that the Commission classify this proceeding as “ratesetting.”² PacifiCorp acknowledges the need for evidentiary hearings in this matter and proposes the following procedural schedule:

² Rule 1.3(e) defines “Ratesetting” as “proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities). . .”

Event	Estimated Timeline
Application Filed	April 12, 2018
Protests Due	30 days after filing appears on Commission's Daily Calendar
Response to Protests Due	10 days after the last day for filing a protest
Prehearing Conference	June 1, 2018
Scoping Memo Issued	July 1, 2018
Intervenor Testimony Due	August 1, 2018
PacifiCorp Rebuttal Testimony Due	September 1, 2018
Evidentiary Hearings (anticipate 2 days)	September 19 – 20, 2018
Opening Briefs	October 5, 2018
Reply Briefs	October 12, 2018
Proposed Decision (PD) Issued	November 10, 2018
Comments on PD Due	November 30, 2018
Reply Comments on PD Due	December 5, 2018
Final Commission Decision (rates effective January 1, 2019)	December 13, 2018

C. Legal Name and Correspondence – Rules 2.1(a) and (b)

PacifiCorp is a public utility organized and existing under the laws of the state of Oregon. PacifiCorp's legal name is PacifiCorp. PacifiCorp engages in the business of generating, transmitting, and distributing electric energy in portions of northern California and in the states of Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

Communications regarding this Application should be addressed to:

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In addition, PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

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

D. Organization and Qualification to Transact Business – (Rule 2.2)

A certified copy of PacifiCorp’s Articles of Incorporation, as amended, and presently in effect, was filed with the Commission in A.97-05-011, which resulted in Commission issuance of D.97-12-093 and is incorporated herein by reference pursuant to Rule 2.2.

E. Balance Sheet and Income Statement – (Rule 3.2(a)(1))

A copy of PacifiCorp’s recent financial statements, contained in the Annual Report on Form 10-K, filed February 26, 2018, with the Securities and Exchange Commission, for the

period ending December 31, 2017, is included herein as Appendix A.

F. Present and Proposed Rates – (Rule 3.2(a)(2) and (3))

Accompanying this application are Exhibits PAC/1300 through PAC/1305, the testimony and exhibits sponsored by Ms. Ridenour, which reflect the present and proposed rates.

G. List of Testimony and Appendices Accompanying this Application

PacifiCorp's submissions to support this Application include the following:

Appendix A is PacifiCorp's 10-K Annual Report for the period ending December 31, 2017, and filed with the Securities and Exchange Commission on February 26, 2018.

Appendix B is Berkshire Hathaway, Inc.'s definitive proxy statement (Form DEF 14A) filed with the Securities and Exchange Commission on March 16, 2018.

Exhibits PAC/100 through PAC/104: Scott D. Bolton, Senior Vice President, External Affairs & Customer Solutions, presents an overview of PacifiCorp's application, a proposal for the accelerated depreciation of coal resources, and the proposal for the adoption of the 2017 Protocol (PacifiCorp's multistate allocation protocol).

Exhibits PAC/200 through PAC/216: Kurt G. Strunk, Director, National Economic Research Associates, testifies concerning PacifiCorp's cost of equity. He presents support for the requested authorized ROE of 10.6 percent to account for the risks and operating challenges that PacifiCorp faces as a vertically integrated electric investor owned utility.

Exhibits PAC/300 through PAC/306: Nikki L. Kobliha, Chief Financial Officer, describes the calculation of PacifiCorp's capital structure, costs of debt and preferred stock.

Exhibits PAC/400 through PAC/405: Chad A. Teply, Senior Vice President, Strategy & Development, supports the prudence and necessity of certain major capital projects on coal-fired generation resources within the PacifiCorp generation portfolio, including the required installation of selective catalytic reduction systems on Jim Bridger Units 3 and 4, Craig Unit 2, and Hayden Units 1 and 2, in accordance with state and federal environmental compliance requirements for the individual units.

Exhibits PAC/500 through PAC/512: Rick T. Link, Vice President, Resource & Commercial Strategy, describes the economic analysis performed in 2012 that supported the company's decisions to install selective catalytic reduction emission control systems on Units 3 and 4 of the Jim Bridger generating plant, the economic analysis that shows PacifiCorp's decision to upgrade, or "repower", certain wind resources, and summarizes

PacifiCorp's assessment of the wind repowering project in its 2017 Integrated Resource Plan.

Exhibits PAC/600 through PAC/606: Timothy J. Hemstreet, Director, Renewable Energy Development, provides the technical information supporting PacifiCorp's decision to repower certain wind facilities.

Exhibits PAC/700 through PAC/705: Richard A. Vail, Vice President, Transmission, describes significant capital investment projects for new distribution and transmission systems.

Exhibit PAC/800: David M. Lucas, Vice President, Transmission & Distribution Operations, presents an overview of PacifiCorp's investment in advanced metering infrastructure in the state of California.

Exhibits PAC/900 through PAC/901: Michael G. Wilding, Director, Net Power Costs & Regulatory Strategy, presents PacifiCorp's proposal to modify the Energy Cost Adjustment Clause to include updates to production tax credits and start-up fuel costs.

Exhibits PAC/1000 through PAC/1002: Brett S. Allsup, Director, Engineering Strategy & Cost Control, describes PacifiCorp's risk management process to implement a risk-based investment decision making framework.

Exhibits PAC/1100 through PAC/1106: Shelley E. McCoy, Manager, Revenue Requirement, addresses the calculation of the company's California-allocated revenue requirement based on the forecast test period of 12 months ending December 31, 2019, excluding net power costs.

Exhibits PAC/1200 through PAC/1202: Robert M. Meredith, Manager, Pricing & Cost of Service, describes PacifiCorp's functionalized class revenue requirement and supporting marginal cost-of-service study based on the forecast test period of 12 months ending December 31, 2019.

Exhibits PAC/1300 through PAC/1305: Judith M. Ridenour, Pricing & Cost of Service Specialist, presents PacifiCorp's proposed rate spread, proposed rate design, and proposed revised tariffs.

H. General Description of Property and Equipment – (Rule 3.2(a)(4))

Accompanying this Application are Exhibits PAC/1100 through PAC/1106, the testimony and exhibits sponsored by Ms. McCoy. Ms. McCoy's testimony and exhibits contain a general description of PacifiCorp's property and equipment, and its original cost, along with a statement of the applicable depreciation reserve.

I. Summary of Earnings – (Rule 3.2(a)(5))

Accompanying this Application are Exhibits PAC/1100 through PAC/1106, the testimony and exhibits sponsored by Ms. McCoy. Ms. McCoy's testimony and exhibits provide the summary of earnings on a depreciated rate base for the test period.

J. Earnings of PacifiCorp Stated for California Operations and for the Total Company – (Rule 3.2(a)(6))

Accompanying this Application are Exhibits PAC/1100 through PAC/1106, the testimony and exhibits sponsored by Ms. McCoy. Ms. McCoy's testimony and exhibits include a statement of earnings stated on both a total-company basis and on a California-allocated basis.

K. Method of Computing Depreciation Deduction – (Rule 3.2(a)(7))

For federal income tax purposes, PacifiCorp uses the applicable depreciation methods prescribed by the Internal Revenue Code in a manner that is intended to maximize the tax deduction for tax depreciation. The same applicable depreciation methods used by PacifiCorp for federal income tax purposes are used by PacifiCorp for the purposes of calculating federal income taxes in the test period for this ratemaking filing.

L. Annual Report – Subsequent Matters – (Rule 3.2(a)(8))

Pursuant to Cal. Pub. Util. Code §587 and D.97-12-088 (as modified), PacifiCorp filed its Affiliated Interest Report for Calendar Year 2016 with the Commission on May 31, 2017 (AI Report). A copy of Berkshire Hathaway, Inc.'s most recent definitive Proxy Statement filed March 13, 2018, with the Securities and Exchange Commission is included as Appendix B. Berkshire Hathaway, Inc. is the ultimate parent of PacifiCorp.

M. Statement of Basis for Requested Increase – (Rule 3.2 (a)(10))

The rate increase requested by PacifiCorp through this Application reflects and passes through to customers both increased costs and savings to the utility for providing electric service

to its customers within California. PacifiCorp's proposed rate increase is due to a combination of offsetting factors, including, among other things, increased operating expenses and company investments in generation, transmission, and distribution assets. The most significant savings are due to the recent changes to the federal tax code.


N. Public Notice – (Rule 3.2(b), (c), and (d))

The cities and counties that would be affected by the rate changes resulting from this Application include the cities and towns of Yreka, Crescent City, Alturas, Mount Shasta, Weed, Dunsmuir, Fort Jones, Dorris, and Tulelake. The counties affected by this Application are Siskiyou, Del Norte, Modoc, and Shasta. As provided in Rule 3.2(b), (c), and (d), notice of filing of this Application will be: (1) mailed to the appropriate officials of the State of California, specifically the Attorney General and Department of General Services, and the counties and cities listed above; (2) published in a newspaper of general circulation in each county in PacifiCorp's service territory within which the rate changes would be effective; (3) included with regular bills mailed to all customers affected by the proposed changes; and (4) mailed to any other persons whom PacifiCorp deems appropriate.

IV. CONCLUSION

PacifiCorp respectfully requests that the Commission issue an order, effective January 1, 2019, approving the rate increase proposed herein.

Respectfully submitted April 12, 2018, at San Francisco, California.

By: 
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