PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Pacific Power |
Rocky Mountain Power |
PacifiCorp Energy
825 NE Multnomah, Suite 1900 LCT
Portland, Oregon 97232

2007 JUN 18 AM 10: 04
IDAHO PUBLIC
UTILITIES COMMISSION

June 18, 2007

VIA OVERNIGHT DELIVERY

Idaho Public Utilities Commission
472 West Washington
Boise, Idaho 83702

Attn: Ms. Jean D. Jewell
Commission Secretary

Re: Case No. PAC-E-05-5
Order No. 29787
Report of First Mortgage Bond Exchange

Dear Ms. Jewell:

Pursuant to the referenced Order, PacifiCorp submits to the Commission three copies of each of the following documents relating to PacifiCorp's offer to exchange up to $350,000,000 in aggregate principal amount of its new registered 6.10% First Mortgage Bonds due August 1, 2036 for up to $350,000,000 in aggregate principal amount of its currently outstanding 6.10% First Mortgage Bonds due August 1, 2036:

1. Prospectus dated May 2, 2007

2. Exchange Agent Agreement dated May 2, 2007

3. Notice of Tenders dated June 12, 2007

PacifiCorp's offer to exchange was made to satisfy its obligations under the Registration Rights Agreement dated August 10, 2006 that was previously submitted to the Commission. The terms of the new bonds are substantially identical to those of the original bonds except the new bonds will not be subject to transfer restrictions. PacifiCorp did not receive any proceeds from the exchange offer.

Under penalty of perjury, I declare that I know the contents of the enclosed documents, and they are true, correct, and complete.

Please contact me if you have any questions about this letter or the enclosed documents.

Sincerely,

Bruce N Williams

Bruce N. Williams
Vice President and Treasurer

Enclosures

cc: Terri Carlock

PROSPECTUS

Dated May 2, 2007

PROSPECTUS

$350,000,000

PACIFICORP

A MIDAMERICAN ENERGY HOLDINGS COMPANY

OFFER TO EXCHANGE

6.10% First Mortgage Bonds due 2036
that have been registered under the Securities Act of 1933
for unregistered 6.10% First Mortgage Bonds due 2036

The Exchange Offer

- We are offering to exchange up to $350 million in aggregate principal amount of our registered 6.10% First Mortgage Bonds due 2036, which we refer to as the "exchange bonds," for the same principal amount of our outstanding unregistered 6.10% First Mortgage Bonds due 2036, which we refer to as the "original bonds."
- The exchange offer expires at 5:00 p.m., New York time, on June 1, 2007, unless extended. We do not currently intend to extend the expiration date.
- You may withdraw tenders of original bonds at any time prior to the expiration of the exchange offer.
- The exchange offer is subject to terms and conditions set forth in this prospectus and the accompanying letter of transmittal.
- The exchange of original bonds for exchange bonds in the exchange offer will not be a taxable event for U.S. federal income tax purposes.
- We will not receive any proceeds from the exchange offer.

The Exchange Bonds

- The terms of the exchange bonds are substantially identical to the terms of the original bonds, except that the exchange bonds will generally be freely transferable and do not contain certain terms with respect to registration rights and additional interest.
- We will issue the exchange bonds under the indenture governing the original bonds. For a description of the principal terms of the exchange bonds, see "Description of Bonds."

Resales of Exchange Bonds

- The exchange bonds may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods and we do not intend to apply for listing of either the original bonds or the exchange bonds on any exchange or market.
- Following consummation of the exchange offer, the original bonds will continue to be subject to their existing transfer restrictions.

Investing in the exchange bonds involves certain risks. Please read "Risk Factors" beginning on page 8 of this prospectus.

Neither the Securities and Exchange Commission, or "SEC," nor any state securities commission has approved or disapproved of the exchange bonds or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 2, 2007.

(This page has been left blank intentionally.)

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else, including any dealer or salesperson, to provide you with information different from that contained in this prospectus. We are offering to exchange original bonds for exchange bonds only in jurisdictions where such offer is permitted. You should not assume that the information in the incorporated documents, this prospectus or any prospectus supplement is accurate as of any other date other than the date on the front of these documents.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. Documents incorporated by reference are available from us without charge. Any person, including any beneficial owners, to whom this prospectus is delivered, may obtain documents incorporated by reference in, but not delivered with, this prospectus by requesting them by telephone or in writing at the following address:

PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232-4116
(503) 813-5000
Attn: Treasury

To obtain timely delivery, you must request these documents no later than five business days before the expiration date of the exchange offer, or by May 24, 2007.

Each broker-dealer that receives exchange bonds for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of its exchange bonds. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer for a period of 120 days following the consummation of the exchange offer in connection with resales of exchange bonds received in exchange for bonds where the original bonds were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 120 days following the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale of the exchange bonds. See "Plan of Distribution."

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SUMMARY

This summary highlights information contained in this prospectus. It does not contain all the information that is important to you. Therefore, you should read the entire prospectus carefully, including the additional documents to which we refer you, before deciding on whether to exchange your original bonds for exchange bonds. You should carefully consider, among other things, the matters discussed in "Risk Factors." Unless otherwise noted or required by the context, in this prospectus, "we," "our," "us" and "PacifiCorp" refer to PacifiCorp, an Oregon corporation, and its subsidiaries. References to the "Mortgage" are to the Mortgage and Deed of Trust, dated as of January 9, 1989, as amended and supplemented, with The Bank of New York (as successor trustee to JPMorgan Chase Bank, N.A).

PacifiCorp

We are a regulated electricity company serving approximately 1.7 million retail customers in service territories aggregating approximately 136,000 square miles in portions of the states of Utah, Oregon, Wyoming, Washington, Idaho and California. The regulatory commission in each state approves rates for retail electric sales within that state. We also sell electricity on the wholesale market to public and private utilities, energy marketing companies and incorporated municipalities. The FERC regulates our wholesale activities. We own, or have interests in, 69 thermal, hydroelectric and wind generating plants with a net plant capacity of 8,588.1 MW. The FERC and the six state regulatory commissions also have authority over the construction and operation of our electric generation facilities. We transmit electricity through 15,622 miles of transmission lines.

We are an indirect subsidiary of MidAmerican Energy Holdings Company, or "MEHC." MEHC, a global energy company based in Des Moines, Iowa, is a majority-owned subsidiary of Berkshire Hathaway Inc.

Our principal executive offices and telephone number are: PacifiCorp, 825 NE Multnomah, Suite 2000, Portland, Oregon 97232-4116; telephone: (503) 813-5000.

SUMMARY OF THE EXCHANGE OFFER

On August 10, 2006, we privately placed $350,000,000 aggregate principal amount of 6.10% First Mortgage Bonds due 2036, which we refer to as the "original bonds," in a transaction exempt from registration under the Securities Act of 1933, or the "Securities Act."

In connection with the offering of original bonds, we entered into a registration rights agreement with the initial purchasers of the original bonds in which we agreed to offer to you bonds identical to the original bonds, except registered under the Securities Act, in exchange for your original bonds. In the exchange offer, you are entitled to exchange your original bonds for exchange bonds, which have substantially identical terms as the original bonds. The exchange bonds will be accepted for clearance through The Depository Trust Company, or "DTC," with a new CUSIP. You should read the discussions under the headings "The Exchange Offer," "Global Bond; Book-Entry System" and "Description of Bonds" for more information about the exchange offer and exchange bonds. After the exchange offer is complete, you will no longer be entitled to any exchange or registration rights for your original bonds.

The Exchange Offer . . . . We are offering to exchange up to $350 million principal amount of the exchange bonds for up to $350 million principal amount of the original bonds. Original bonds may only be exchanged, and untendered original bonds may only be, in a minimum denomination of $2,000 and in increments of $1,000 thereafter.

The terms of the exchange bonds are substantially identical to those of the original bonds, except the exchange bonds will not be subject to transfer restrictions and holders of the exchange bonds will have no registration rights. Also, the exchange bonds will not include provisions contained in the original bonds that required payment of additional interest in the event we fail to satisfy our registration obligations with respect to the original bonds.

Original bonds not tendered for exchange will continue to be subject to transfer restrictions and will not have registration rights. Therefore, the market for secondary resales of original bonds not tendered for exchange is likely to be minimal.

We will issue registered exchange bonds promptly after the expiration of the exchange offer.

Expiration Date . . . . The exchange offer will expire at 5:00 p.m. New York City time, on June 1, 2007, unless we decide to extend the expiration date. Please read "The Exchange Offer—Extensions, Delay in Acceptance, Termination or Amendment" for more information about extending the expiration date.

Withdrawal of Tenders . . . . You may withdraw your tender of original bonds at any time prior to the expiration date. We will return to you, without charge, promptly after the expiration or termination of the exchange offer any original bonds that you tendered but that were not accepted for exchange.

Conditions to the Exchange Offer

We will not be required to accept original bonds for exchange:

- if the exchange offer would be unlawful or would violate any interpretation of the SEC staff, or
- if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer.

The exchange offer is not conditioned on any minimum aggregate principal amount of original bonds being tendered. Please read "The Exchange Offer—Conditions to the Exchange Offer" for more information about the conditions to the exchange offer.

Procedures for Tendering Original Bonds

If your original bonds are held through DTC and you wish to participate in the exchange offer, you may do so through DTC's automated tender offer program. If you tender under this program, you will agree to be bound by the letter of transmittal we are providing with this prospectus as though you had signed the letter of transmittal. By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any exchange bonds you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person to participate in the distribution of the original bonds or the exchange bonds;
- you are not our "affiliate," as defined in Rule 405 under the Securities Act, or, if you are our affiliate, you will comply with any applicable registration and prospectus delivery requirement of the Securities Act;
- if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the exchange bonds; and
- if you are a broker-dealer that will receive exchange bonds for your own account in exchange for original bonds you acquired as a result of market-making activities or other trading activities, you will deliver a prospectus in connection with any resale of such exchange bonds.

Special Procedures for Beneficial Owner	If you own a beneficial interest in original bonds that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the original bonds in the exchange offer, please contact the registered holder as soon as possible and instruct the registered holder to tender on your behalf and to comply with our instructions described in this prospectus.
Guaranteed Delivery Procedures	You must tender your original bonds according to the guaranteed delivery procedures described in "The Exchange Offer—Guaranteed Delivery Procedures" if any of the following apply: • you wish to tender your original bonds but they are not immediately available; • you cannot deliver your original bonds, the letter of transmittal or any other required documents to the exchange agent prior to the expiration date; or • you cannot comply with the applicable procedures under DTC's automated tender offer program prior to the expiration date.
Resales	Except as indicated in this prospectus, we believe the exchange bonds may be offered for resale, resold and otherwise transferred without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that: • you are acquiring the exchange bonds in the ordinary course of your business; • you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in the distribution of the exchange bonds; and • you are not our affiliate. Our belief is based on existing interpretations of the Securities Act by the SEC staff set forth in several no-action letters to third parties. We do not intend to seek our own no-action letter, and there is no assurance that the SEC staff would make a similar determination with respect to the exchange bonds. If this interpretation is inapplicable, and you transfer any exchange bonds without delivering a prospectus meeting the requirements, you may incur liability under the Securities Act. We do not assume, or indemnify holders against, such liability.

	Each broker-dealer issued exchange bonds for its own account in exchange for original bonds acquired by the broker-dealer as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange bonds. To the extent described in "Plan of Distribution," a broker-dealer may use this prospectus for any offer to resell, resale or other retransfer of the exchange bonds.
United States Federal Income Tax Considerations	The exchange of original bonds for exchange bonds will not be a taxable event for United States federal income tax purposes. Please see "United States Federal Income Tax Considerations."
Registration Rights	If we fail to complete the exchange offer as required by the registration rights agreement, we may be obligated to pay additional interest to holders of the original bonds. Please see "Description of Bonds—Exchange Offer; Registration Rights;" for more information regarding your rights as a holder of the original bonds.

THE EXCHANGE AGENT

We have appointed The Bank of New York as exchange agent for the exchange offer. You should direct questions and requests for assistance with respect to exchange offer procedures or requests for additional copies of this prospectus or the letter of transmittal to the exchange agent addressed as follows:

THE BANK OF NEW YORK
CORPORATE TRUST OPERATIONS
REORGANIZATION UNIT
101 BARCLAY STREET, 7 EAST
NEW YORK, NEW YORK 10286
BY FACSIMILE TRANSMISSION 212-298-1915
CONFIRM BY TELEPHONE: 212-815-2742

THE EXCHANGE BONDS

The form and terms of the exchange bonds to be issued in the exchange offer are substantially identical to the form and terms of the original bonds, except that the exchange bonds will be registered under the Securities Act and, therefore, will not bear legends restricting their transfer, will not contain terms providing for additional interest if we fail to perform our registration obligations with respect to the original bonds and will not be entitled to registration rights under the Securities Act. The exchange bonds will evidence the same debt as the original bonds, and both the original bonds and the exchange bonds are governed by the same indenture.

Issuer	PacifiCorp
Bonds Offered	$350,000,000 in aggregate principal amount of 6.10% First Mortgage Bonds due 2036. The bonds are a series of securities that may be issued under the nineteenth supplemental indenture to the Mortgage.
Maturity Date	August 1, 2036
Interest Payment Dates	February 1 and August 1, commencing February 1, 2007.
Optional Redemption	We may redeem the bonds, at our option, in whole or in part, at any time, at a redemption price equal to the greater of: (1) 100% of the principal amount of the bonds to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal of and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the yield on equivalent Treasury securities plus 20 basis points, plus, for (1) or (2) above, whichever is applicable, accrued and unpaid interest, if any, on such bonds to the date of redemption. See "Description of Bonds—Optional Redemption."
Sinking Fund	The bonds will not be subject to a mandatory sinking fund.
Ranking	The bonds will be secured by a first mortgage lien on certain utility property owned by us. The bonds will be equally and ratably secured with all other bonds issued under the Mortgage. The lien of the Mortgage is subject to certain exceptions. See "Description of Bonds—Ranking and Security."
Covenants	The Mortgage contains a number of covenants by us for the benefit of the holders of the bonds, including provisions requiring us to maintain the mortgaged property as an operating system or systems capable of engaging in all or any of the generating, transmission, distribution or other utility businesses described in the Mortgage. See "Description of Bonds—Certain Covenants."
Use of Proceeds	We will not receive any proceeds from the issuance of the exchange bonds pursuant to the exchange offer. We will pay certain expenses incident to the exchange offer. See "The Exchange Offer—Fees and Expenses."
Listing	The exchange bonds will not be listed on any exchange or market.

Trustee.	The Bank of New York (successor trustee to JPMorgan Chase Bank, N.A.) will be the trustee for the holders of the bonds. See "Description of Bonds—The Trustee."
Risk Factors	You should consider carefully all of the information set forth in this prospectus and in particular, you should evaluate the specific factors under "Risk Factors."

RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before exchanging your original bonds for exchange bonds. The risks described below are not the only risks facing us. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business operations. In such case, you may lose all or part of your original investment.

Risks Relating to this Exchange Offer

Your ability to transfer the exchange bonds is limited by the absence of a market for the exchange bonds, and a trading market for the exchange bonds may not develop.

There is no existing public trading market for the exchange bonds and a market for the exchange bonds might not develop and you may not be able to sell the exchange bonds or obtain a suitable price. If such a market were to develop, the exchange bonds could trade at prices that may be higher or lower than their initial offering price, depending on many factors, including prevailing interest rates, our operating results and the market for similar securities. We do not intend to apply for listing of the exchange bonds on a securities exchange or an automated dealer quotation system. As a result, it may be difficult for you to find a buyer for the exchange bonds at the time you want to sell them and, even if you find a buyer, you might not realize the price you want.

If you do not exchange your original bonds, your original bonds will continue to be subject to the existing transfer restrictions and you may be unable to sell your outstanding original bonds.

We did not register the original bonds and do not intend to do so following the exchange offer. Original bonds not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under applicable securities laws. If you do not exchange your original bonds, you will lose your right, except in limited circumstances, to have your original bonds registered under the federal securities laws. As a result, if you hold original bonds after the exchange offer, you may be unable to sell your original bonds and the value of the original bonds may decline. We have no obligation, except in limited circumstances, and do not currently intend, to file an additional registration statement to cover the resale of original bonds that did not tender in the exchange offer or to re-offer to exchange the exchange bonds for original bonds following the expiration of the exchange offer.

Your ability to sell your original bonds may be significantly more limited and the price at which you may be able to sell your original bonds may be significantly lower if you do not exchange them for exchange bonds in the exchange offer.

To the extent that original bonds are exchanged in the exchange offer, the trading market for the original bonds that remain outstanding may be significantly more limited. As a result, the liquidity of the original bonds not tendered for exchange could be adversely affected. The extent of the market for original bonds will depend upon a number of factors, including the number of holders of original bonds remaining outstanding and the interest of securities firms in maintaining a market in the original bonds. An issue of securities with a lesser outstanding market value available for trading, which is called the "float," may command a lower price than would be comparable to an issue of securities with a greater float. As a result, the market price for original bonds that are not exchanged in the exchange offer may be affected adversely to the extent that original bonds exchanged in the exchange offer reduce the float. The reduced float also may make the trading price of the original bonds that are not exchanged more volatile.

There are state securities law restrictions on the resale of the exchange bonds.

In order to comply with the securities laws of certain jurisdictions, the exchange bonds may not be offered or resold by any holder unless they have been registered or qualified for sale in such jurisdictions or an exemption from registration or qualification is available and the requirements of such exemption have been satisfied. We do not currently intend to register or qualify the resale of the exchange bonds in any such jurisdictions. However, an exemption is generally available for sales to registered broker-dealers and certain institutional buyers. Other exemptions under applicable state securities laws may also be available.

We will not accept your original bonds for exchange if you fail to follow the exchange offer procedures and, as a result, your original bonds will continue to be subject to existing transfer restrictions and you may not be able to sell your original bonds.

We will issue exchange bonds as part of the exchange offer only after a timely receipt of your original bonds, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your original bonds, please allow sufficient time to ensure timely delivery. If we do not receive your original bonds, letter of transmittal and other required documents by the expiration date of the exchange offer, we will not accept your original bonds for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of original bonds for exchange. If there are defects or irregularities with respect to your tender of original bonds, we will not accept your original bonds for exchange. See "The Exchange Offer."

Risks Relating to Our Business

We are subject to extensive regulations that affect our operations and costs. These regulations are complex and subject to change.

We are subject to numerous regulation and laws enforced by regulatory agencies. These regulatory agencies include, among others, the FERC, the Environmental Protection Agency and the public utility commissions in Utah, Oregon, Wyoming, Washington, Idaho and California.

Regulations affect almost every aspect of our business and limit our ability to independently make management decisions regarding, among other items, business combinations, constructing, acquiring or disposing of operating assets, setting rates charged to customers, establishing capital structures and issuing equity or debt securities, engaging in transactions with our subsidiaries and affiliates, and paying dividends. Regulations are subject to ongoing policy initiatives and we cannot predict the future course of changes in regulatory laws, regulations and orders, or the ultimate effect that regulatory changes may have on us. However, such changes could materially impact our financial results. For example, such changes could result in, but are not limited to, increased retail competition within our service territories, new environmental requirements, the acquisition by a municipality or other quasi-governmental body of our distribution facilities (by negotiation, legislation or condemnation or by a vote in favor of a Public Utility District under Oregon law) or a negative impact on our current cost recovery arrangements, including income tax recovery.

The Energy Policy Act of 2005, or the Energy Policy Act, impacts many segments of the energy industry. To implement the law, the FERC has and will continue to issue new regulations and regulatory decisions addressing electric system reliability, electric transmission expansion and pricing, regulation of utility holding companies, and enforcement authority, including the ability to assess civil penalties of up to $1.0 million per violation per day, even in the absence of intentional violations. The full impact of those decisions remains uncertain; however, the FERC has recently exercised its enforcement authority by imposing significant civil penalties on us and other companies for violations of its rules and regulations. In addition, the Energy Policy Act requires federal agencies, working together with non-governmental organizations charged with electric reliability responsibilities, to adopt and implement measures designed to ensure the reliability of electric transmission and distribution systems. Such measures could impose more comprehensive or stringent requirements on us, which would result in increased compliance costs and could adversely affect our financial results.

Further, several of our hydroelectric projects whose operating licenses have expired or will expire in the next several years are in some stage of the FERC relicensing process. Hydroelectric relicensing is a political and public regulatory process involving sensitive resource issues and uncertainties. We cannot predict with certainty the requirements (financial, operational or otherwise) that may be imposed by relicensing, the economic impact of those requirements, whether we will be willing to meet the relicensing requirements to continue operating our hydroelectric projects. Loss of hydroelectric resources or additional commitments arising from relicensing could adversely affect our financial results.

Recovery of our costs is subject to regulatory review and approval, and the inability to recover costs may adversely affect our financial results.

State Rate Proceedings

We establish rates for our retail service through state regulatory proceedings. These proceedings typically involve multiple parties, including government bodies and officials, consumer advocacy groups and various consumers of energy, who have differing concerns, but who have the common objective of limiting rate increases. Decisions are subject to appeal, potentially leading to additional uncertainty associated with the approval proceedings.

Each state sets rates based in part upon the state utility commission's acceptance of an allocated share of total utility costs. When states adopt different methods to calculate interjurisdictional cost allocations, some costs may not be incorporated into rates of any state. Rate-making is also generally done on the basis of estimates of normalized costs, so if a given year's realized costs are higher than normal, rates will not be sufficient to cover those costs. Each state utility commission generally sets rates based on a test year established in accordance with that commission's policies. Certain states use a future test year and allow for escalation of historical costs, while other states use a historical test year. Use of a historical test year may cause regulatory lag, which results in us incurring costs, including significant new investments, for which recovery through rates is delayed. State commissions also decide the allowed rates of return MEHC will be given an opportunity to earn on its equity investment in us, as well as the allowed levels of expense and investment that they deem just and reasonable in providing service. The commissions may disallow recovery in rates for any costs that do not meet such standard.

In Utah, Washington and Idaho, we are not permitted to pass through energy cost increases in our rates without seeking a general rate increase. Any significant increase in the cost of fuel used for generation or the cost of purchased electricity could have a negative impact on us, despite our efforts to minimize this impact through future general rate cases or the use of hedging instruments. Any of these consequences could adversely affect our financial results.

While rate regulation is premised on providing a fair opportunity to earn a reasonable rate of return on invested capital, the state regulatory commissions do not guarantee that we will be able to realize a reasonable rate of return.

FERC Jurisdiction

The FERC establishes cost-based tariffs under which we provide transmission services to wholesale markets and retail markets in states that allow retail competition. The FERC also has responsibility for approving both cost- and market-based rates under which we sell electricity at wholesale and has licensing authority over most of our hydroelectric generation facilities. The FERC may impose price limitations, bidding rules and other mechanisms to address some of the volatility of these markets or may revoke or restrict our ability to sell electricity at market-based rates, which could adversely affect our financial results. The FERC may also impose substantial civil penalties for any non-compliance with the Federal Power Act or FERC rules or orders.

We are actively pursuing, developing and constructing new facilities, the completion and expected cost of which is subject to significant risk, and we have significant funding needs related to our planned capital expenditures.

We are engaged in several large construction or expansion projects, including construction of a new gas-fired generating facility, the Lake Side Power Plant in Utah; construction and development of multiple wind generating plants; various capital projects related to generation, transmission and distribution; and the development of an underground mine. In addition, in connection with MEHC's acquisition of us in early 2006, MEHC and we have committed to undertake several other capital expenditure projects, principally relating to environmental controls, transmission and distribution, renewable generation and other facilities. Including these investments, we expect to incur substantial construction, expansion and other capital-related costs over the next several years.

The completion of any or all of our pending, proposed or future construction or expansion projects is subject to substantial risk and may expose us to significant costs. The development or construction efforts on any particular project, or the efforts generally, may not be successful. Fluctuations in the price or availability of commodities, manufactured goods, equipment, labor and other items over a multi-year construction period can result in higher than expected costs to complete an asset and place it into service. Such costs, if found to be imprudent, may not be recoverable in rates. The inability to successfully and timely complete a project, avoid unexpected costs or to recover any excess costs through rate-making decisions may materially affect our financial results.

Furthermore, we depend upon both internal and external sources of liquidity to provide working capital and to fund capital requirements. If these funds are not available and MEHC does not elect to provide any needed funding to us, we may need to postpone or cancel planned capital expenditures. Failure to construct these projects could materially increase operating costs, limit opportunities for revenue growth and adversely affect the reliability of electric service to our customers. For example, if we are not able to expand our existing generating facilities, we may be required to enter into long-term electricity procurement contracts or procure electricity at more volatile and potentially higher prices in the spot markets to support growing retail loads. These contracts would result in additional counterparty performance risk, which is described further below.

We are subject to numerous environmental, health, safety and other laws and regulations that may adversely impact financial results.

Operational Standards

We are subject to numerous environmental, health, safety, and other laws and regulations affecting many aspects of our present and future operations, including, among others:

- the Environmental Protection Agency's Clean Air Mercury Rule, which establishes a cap and trade program to reduce mercury emissions from coal-fired power plants starting in 2010; and
- other laws or regulations that establish or could establish standards for greenhouse gas emissions, water quality, wastewater discharges, solid waste and hazardous waste.

These and related laws, regulations and orders generally require us to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals.

Compliance with environmental, health, safety, and other laws and regulations can require significant capital and operating expenditures, including expenditures for new equipment, inspection, cleanup costs, damages arising out of contaminated properties, and fines, penalties and injunctive measures affecting operating assets for failure to comply with environmental regulations. Compliance activities pursuant to regulations could be prohibitively expensive. As a result, some facilities may be required to shut down or alter their operations. Further, we may not be able to obtain or maintain all required environmental regulatory approvals for our operating assets or development projects. Delays in obtaining any required environmental or regulatory permits, failure to comply with the terms and conditions of the permits or increased regulatory or environmental requirements may increase our costs or prevent or delay us from operating our facilities or developing new facilities. If we fail to comply with all applicable environmental requirements, we may be subject to penalties, fines or other sanctions. The costs of complying with current or new environmental, health, safety, and other laws and regulations could adversely affect our financial results.

Further, our regulatory rate structure or long-term customer contracts may not allow us to recover all costs incurred to comply with new environmental regulations. Although we believe that, in most cases, we are legally entitled to recover these kinds of costs, the inability to fully recover such costs in a timely manner could adversely affect our financial results.

Site Cleanup and Contamination

Environmental, health, safety, and other laws and regulations also impose obligations to remediate contaminated properties or to pay for the cost of such remediation, often by parties that did not actually cause the contamination. We are generally responsible for on-site liabilities, and in some cases off-site liabilities, associated with the environmental condition of our assets, including power generation facilities, and transmission and distribution assets which we have acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In connection with acquisitions, we may obtain or require indemnification against some environmental liabilities. If we incur a material liability, or the other party to a transaction fails to meet its indemnification obligations, we could suffer material losses. We have established liabilities to recognize our obligations for known remediation liabilities. However, future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities which may be material.

Inflation and increases in commodity prices and fuel transportation costs may adversely affect our financial results.

Inflation affects us through increased operating costs and increased capital costs for plant and equipment. As a result of regulatory lag and competitive price pressures, we may not be able to pass the costs of inflation on to our customers. If we are unable to manage costs increases or pass them on to our customers, our financial results could be adversely affected.

We are also heavily exposed to changes in prices and availability of coal and natural gas and the transportation of coal and natural gas because a majority of our generation capacity utilizes these fossil fuels. We currently have contracts of varying durations for the supply and transportation of coal for our existing generation capacity, although we obtain some of our coal supply from mines owned or leased by us. When these contracts expire or if they are not honored, we may not be able to purchase or transport coal on terms as favorable as the current contracts. We have similar exposures regarding the market price of natural gas. Changes in the cost of coal or natural gas supply or transportation and changes in the relationship between such costs and the market price of power will affect our financial results. Since the sales price we receive for power may not change at the same rate as our coal or natural gas supply or transportation costs, we may be unable to pass on the changes in costs to our customers.

Our financial results may be adversely affected if we are unable to obtain adequate, reliable and affordable transmission service.

We depend on transmission facilities owned and operated by utilities to transport electricity to both wholesale and retail markets, as well as natural gas purchased to supply some of our electric generation facilities. We have legal obligations to serve our retail customers and some of our wholesale customers, and if adequate transmission is unavailable to serve those customers' loads economically, we will incur additional costs to deliver power. Such unavailability could also decrease our revenue if we are unable to purchase or sell and deliver products to our other wholesale customers. For these reasons, limits on the availability of transmission service could adversely affect our financial results.

We are subject to market risk, counterparty performance risk and other risks associated with wholesale energy markets.

In general, wholesale market risk is the risk of adverse fluctuations in the market price of wholesale electricity and fuel, including natural gas and coal, which is compounded by volumetric changes affecting the availability of or demand for electricity and fuel. We purchase electricity and fuel in the open market or pursuant to short-term or variable-priced contracts as part of our normal operating business. If market prices rise, especially in a time when larger than expected volumes must be purchased at market or short-term prices, we may incur significantly greater expense than anticipated. Likewise, if electricity market prices decline in a period when we are a net seller of electricity in the wholesale market, we will earn less revenue.

Wholesale electricity prices in our service areas are influenced primarily by factors throughout the western United States relating to supply and demand. Those factors include the adequacy of generating capacity, scheduled and unscheduled outages of generating facilities, hydroelectric generation levels, prices and availability of fuel sources for generation, disruptions or constraints to transmission facilities, weather conditions, economic growth and changes in technology. Volumetric changes are caused by unanticipated changes in generation availability and/or changes in customer loads due to the weather, the economy or customer behavior. Although we plan for resources to meet our current and expected retail and wholesale load obligations, we are a net buyer of electricity during some peak periods and therefore our energy costs may be adversely impacted by market risk. In addition, we may not be able to timely recover all, if any, of those increased costs unless the state regulators authorize such recovery.

We are also exposed to risks related to performance of contractual obligations by our wholesale suppliers and customers. We rely on suppliers to deliver commodities, primarily natural gas, coal and electricity, in accordance with short- and long-term contracts. Failure or delay by suppliers to provide these commodities pursuant to existing contracts could disrupt our ability to deliver electricity and require us to incur additional expenses to meet customer needs. In addition, when these contractual agreements end, we may be unable to purchase commodities on terms equivalent to the terms of current contracts.

We rely on wholesale customers to take delivery of the energy they have committed to purchase and to pay for the energy on a timely basis. Failure of customers to take delivery may require us to find other customers to take the energy at lower prices than the original customers committed to pay. At certain times of year, prices paid by us for energy needed to satisfy our customers' demand for energy may exceed the amounts we receive through rates from these customers. If the strategy we use to economically hedge the exposure to these risks is ineffective, we could incur significant losses.

Our operating results may fluctuate on a seasonal and quarterly basis.

The sale of electric power is generally a seasonal business. In the markets in which we operate, customer demand peaks in the winter months due to heating requirements and also peaks in the summer months due to irrigation and cooling needs. Extreme weather conditions such as heat waves or winter