PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

825 NE Multnomah, Suite1900
Portland, Oregon 97232-2135

November 13, 2008

Public Service Commission of Utah
160 East 300 South
P.O. Box 45585
Salt Lake City, UT 84145-0585

Dear Commission:

Enclosed is a copy of PacifiCorp's quarterly report on Form 10-Q for the period ended September 30, 2008, as filed with the Securities and Exchange Commission pursuant to the requirement of the Securities Exchange Act of 1934.

Very Truly Yours,

Jennifer M Kahl

Jennifer Kahl
External Reporting Director

Enclosure

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

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[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to _______

Commission File Number	Exact name of registrant as specified in its charter; State or other jurisdiction of incorporation or organization	IRS Employer Identification No.
1-5152	**PacifiCorp** **(An Oregon Corporation)** **825 N.E. Multnomah Street** **Portland, Oregon 97232** **503-813-5000**	**93-0246090**

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

All shares of outstanding common stock are indirectly owned by MidAmerican Energy Holdings Company, 666 Grand Avenue, Des Moines, Iowa. As of October 31, 2008, there were 357,060,915 shares of common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
PacifiCorp
Portland, Oregon

We have reviewed the accompanying consolidated balance sheet of PacifiCorp and subsidiaries ("PacifiCorp") as of September 30, 2008, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2008 and 2007, and of cash flows for the nine-month periods ended September 30, 2008 and 2007. These interim financial statements are the responsibility of PacifiCorp's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of PacifiCorp and subsidiaries as of December 31, 2007, and the related consolidated statements of income, changes in common shareholder's equity and comprehensive income, and of cash flows for the year then ended (not presented herein); and in our report dated February 27, 2008, we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, as of December 31, 2006. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Portland, Oregon
November 7, 2008

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in millions)

	As of	
	September 30, 2008	**December 31, 2007**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69	$ 228
Accounts receivable, net	620	594
Income taxes receivable from affiliates	21	23
Inventories at average cost:		
Materials and supplies	185	163
Fuel	144	129
Derivative contracts	172	143
Other current assets	135	141
Deferred income taxes	84	55
Total current assets	1,430	1,476
Property, plant and equipment, net:		
Property, plant and equipment	18,117	17,014
Accumulated depreciation and amortization	(6,219)	(6,125)
Net property, plant and equipment	11,898	10,889
Construction work-in-progress	1,113	960
Total property, plant and equipment, net	13,011	11,849
Other assets:		
Regulatory assets	1,217	1,091
Derivative contracts	136	215
Deferred charges, investments and other	270	276
Total other assets	1,623	1,582
Total assets	$ 16,064	$ 14,907

The accompanying notes are an integral part of these financial statements.

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited) (continued)
(Amounts in millions)

	As of	
	September 30, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 478	$ 451
Accrued employee expenses	112	80
Accrued interest	97	74
Taxes payable, other than income taxes	88	28
Derivative contracts	162	117
Other current liabilities	139	149
Short-term debt	117	-
Current portion of long-term debt and capital lease obligations	142	414
Total current liabilities	1,335	1,313
Long-term liabilities:		
Regulatory liabilities	805	799
Derivative contracts	484	497
Other long-term liabilities	600	710
Long-term debt and capital lease obligations	5,222	4,753
Investment tax credits	52	54
Deferred income taxes	1,940	1,701
Total liabilities	10,438	9,827
Commitments and contingencies (Notes 4 and 8)		
Shareholders' equity:		
Preferred stock	41	41
Common equity:		
Common shareholder's capital - 750 shares authorized, no par value, 357 shares issued and outstanding	4,004	3,804
Retained earnings	1,576	1,239
Accumulated other comprehensive income (loss), net	5	(4)
Total common equity	5,585	5,039
Total shareholders' equity	5,626	5,080
Total liabilities and shareholders' equity	$ 16,064	$ 14,907

The accompanying notes are an integral part of these financial statements.

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Amounts in millions)

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2008	**2007**	**2008**	**2007**
Operating revenue	$ 1,245	$ 1,137	$ 3,395	$ 3,190
Operating costs and expenses:				
Energy costs	585	487	1,497	1,327
Operations and maintenance	240	230	735	747
Depreciation and amortization	123	125	364	368
Taxes, other than income taxes	28	26	84	77
Total operating costs and expenses	976	868	2,680	2,519
Operating income	269	269	715	671
Other income (expense):				
Interest expense	(90)	(76)	(254)	(230)
Allowance for borrowed funds	7	8	23	24
Allowance for equity funds	10	11	31	28
Interest income	4	3	9	10
Other	-	(2)	(1)	-
Total other income (expense)	(69)	(56)	(192)	(168)
Income before income tax expense	200	213	523	503
Income tax expense	68	78	184	164
Net income	$ 132	$ 135	$ 339	$ 339

The accompanying notes are an integral part of these financial statements.

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in millions)

	Nine-Month Periods Ended September 30, 2008	2007
Cash flows from operating activities:		
Net income	$ 339	$ 339
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	364	368
Regulatory asset/liability establishment and amortization	(45)	(37)
Provision for deferred income taxes and investment tax credits, net	228	17
Other	6	7
Changes in operating assets and liabilities, net of effects from acquisition:		
Accounts receivable and other assets	(8)	(77)
Derivative contract assets/liabilities, net	(58)	(8)
Inventories	(42)	(45)
Income taxes receivable/payable from/to affiliates, net	2	44
Accounts payable and other liabilities	(34)	42
Net cash flows from operating activities	752	650
Cash flows from investing activities:		
Capital expenditures	(1,111)	(1,136)
Acquisition, net of cash acquired	(308)	-
Purchases of available-for-sale securities	(50)	(19)
Proceeds from sales of available-for-sale securities	59	22
Other	6	21
Net cash flows from investing activities	(1,404)	(1,112)
Cash flows from financing activities:		
Net borrowings (repayments) of commercial paper	-	(191)
Net borrowings (repayments) under revolving credit facility	117	-
Proceeds from long-term debt, net of issuance costs	792	599
Proceeds from equity contributions	200	200
Preferred dividends paid	(2)	(2)
Reacquired long-term debt	(216)	-
Repayments of long-term debt and capital lease obligations	(401)	(115)
Redemptions of preferred stock subject to mandatory redemption	-	(38)
Other	3	6
Net cash flows from financing activities	493	459
Net change in cash and cash equivalents	(159)	(3)
Cash and cash equivalents at beginning of period	228	59
Cash and cash equivalents at end of period	$ 69	$ 56

The accompanying notes are an integral part of these financial statements.

PACIFICORP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) General

PacifiCorp (which includes PacifiCorp and its subsidiaries) is a United States regulated electric company serving 1.7 million retail customers, including residential, commercial, industrial and other customers in portions of the states of Utah, Oregon, Wyoming, Washington, Idaho and California. PacifiCorp owns, or has interests in, a number of thermal, hydroelectric, wind-powered and geothermal generating plants, as well as electric transmission and distribution assets. PacifiCorp also buys and sells electricity on the wholesale market with public and private utilities, energy marketing companies and incorporated municipalities. The regulatory commission in each state approves rates for retail electric sales within that state. PacifiCorp's subsidiaries support its electric utility operations by providing coal-mining facilities and services and environmental remediation services. PacifiCorp is an indirect subsidiary of MidAmerican Energy Holdings Company ("MEHC"), a holding company based in Des Moines, Iowa, owning subsidiaries that are principally engaged in energy businesses. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc.

The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the United States Securities and Exchange Commission's (the "SEC") rules and regulations for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the financial statements as of September 30, 2008, and for the three- and nine-month periods ended September 30, 2008 and 2007. Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported operating income, net income or retained earnings. A portion of PacifiCorp's business is of a seasonal nature and, therefore, the results of operations for the three- and nine-month periods ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

The unaudited Consolidated Financial Statements include the accounts of PacifiCorp and its subsidiaries in which it holds a controlling financial interest. The Consolidated Statements of Operations include the revenues and expenses of an acquired entity from the date of acquisition. Intercompany accounts and transactions have been eliminated.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2007 describes the most significant accounting estimates and policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in PacifiCorp's assumptions regarding significant accounting policies during the first nine months of 2008.

(2) Change in Estimate and New Accounting Pronouncements

Change in Estimate

In August 2007, PacifiCorp filed applications with the regulatory commissions in Utah, Oregon, Wyoming, Washington and Idaho to change its rates of depreciation prospectively. PacifiCorp received approval to change the depreciation rates effective January 1, 2008. The Oregon Public Utility Commission (the "OPUC") order required additional modifications related to the depreciation lives of coal-fired generation assets, which were approved in August 2008. The revised depreciation rates generally reflect an extension of the lives of PacifiCorp's assets and resulted in a benefit to pre-tax income during the three- and nine-month periods ended September 30, 2008 of approximately $12 million and $35 million, respectively. Depreciation expense for the three- and nine-month periods ended September 30, 2008 includes the impact of the modified coal-fired generation asset depreciation rates approved by the OPUC.

New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("SFAS No. 161"). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand how and why an entity uses derivative instruments and their effects on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 with early application encouraged. PacifiCorp is currently evaluating the impact of adopting SFAS No. 161 on its disclosures included within the notes to its Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS No. 141(R) establishes how the acquirer of a business should recognize, measure and disclose in its financial statements the identifiable assets and goodwill acquired, the liabilities assumed and any noncontrolling interest in the acquired business. SFAS No. 141(R) is applied prospectively for all business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 with early application prohibited. SFAS No. 141(R) will not have an impact on PacifiCorp's historical Consolidated Financial Statements and will be applied to business combinations completed, if any, on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 requires entities to report noncontrolling interests as a separate component of shareholders' equity in the consolidated financial statements. The amount of earnings attributable to the parent and to the noncontrolling interests should be clearly identified and presented on the face of the consolidated statements of operations. Additionally, SFAS No. 160 requires any changes in a parent's ownership interest of its subsidiary, while retaining its control, to be accounted for as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. PacifiCorp is currently evaluating the impact of adopting SFAS No. 160 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115* ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option may only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. The decision about whether to elect the fair value option is applied on an instrument-by-instrument basis, is irrevocable and is applied only to an entire instrument and not only to specified risks, cash flows or portions of that instrument. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. PacifiCorp adopted SFAS No. 159 effective January 1, 2008 and did not elect the fair value option for any existing eligible items.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not impose fair value measurements on items not already accounted for at fair value; rather, it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In February 2008, the FASB issued Staff Position ("FSP") No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP FAS 157-2"), which delays the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. These non-financial items include assets and liabilities such as non-financial assets and liabilities assumed in a business combination, reporting units measured at fair value in a goodwill impairment test and asset retirement obligations initially measured at fair value. In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP FAS 157-3"), which clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. PacifiCorp adopted the provisions of SFAS No. 157 for assets and liabilities recognized at fair value on a recurring basis effective January 1, 2008. The partial adoption of SFAS No. 157 did not have a material impact on PacifiCorp's Consolidated Financial Statements. Refer to Note 7 for additional discussion.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). SFAS No. 158 requires that an employer measure plan assets and obligations as of the end of the employer's fiscal year, eliminating the option in SFAS No. 87 and SFAS No. 106 to measure up to three months prior to the financial statement date. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is not required until fiscal years ending after December 15, 2008. As of September 30, 2008, PacifiCorp had not yet adopted the measurement date provisions of the statement. Upon adoption of the measurement date provisions, PacifiCorp will be required to record a transitional adjustment to retained earnings or to a regulatory asset, depending on whether the amount is considered probable of being recovered in rates.

(3) Business Acquisition

On September 15, 2008, after having received the requisite regulatory approvals, PacifiCorp acquired from TNA Merchant Projects, Inc., an affiliate of Suez Energy North America, Inc., 100% of the equity interests of Chehalis Power Generating, LLC, an entity owning a 520-megawatt ("MW") natural gas-fired generating plant located in Chehalis, Washington. The total cash purchase price was $308 million and the estimated fair value of the acquired entity was primarily allocated to the generating plant. Chehalis Power Generating, LLC was merged into PacifiCorp immediately following the acquisition. The results of the plant's operations have been included in PacifiCorp's Consolidated Financial Statements since the acquisition date.

(4) Regulatory Matters

Oregon

In October 2007, PacifiCorp filed its tax report for 2006 under Oregon Senate Bill 408 ("SB 408"), which was enacted in September 2005. SB 408 requires that PacifiCorp and other large regulated, investor-owned utilities that provide electric or natural gas service to Oregon customers file a report annually with the OPUC comparing income taxes collected and income taxes paid, as defined by the statute and its administrative rules. PacifiCorp's filing indicated that for the 2006 tax year, PacifiCorp paid $33 million more in federal, state and local taxes than was collected in rates from its retail customers. PacifiCorp proposed to recover $27 million of the deficiency over a one-year period starting June 1, 2008 and to defer any excess into a balancing account for future disposition. During the review process, PacifiCorp updated its filing to address the OPUC's staff recommendations, which increased the initial request by $2 million for a total of $35 million. In April 2008, the OPUC approved PacifiCorp's revised request with $27 million to be recovered over a one-year period beginning June 1, 2008 and the remainder to be deferred until a later period, with interest to accrue at PacifiCorp's authorized rate of return. In June 2008, PacifiCorp recorded a $27 million regulatory asset and associated revenues representing the amount that PacifiCorp will collect from its Oregon retail customers over the one-year period that began on June 1, 2008. Since June 1, 2008, collections of the approved amount have reduced the regulatory asset initially recognized. In May 2008, the Industrial Customers of Northwest Utilities filed a petition for judicial review in the Court of Appeals of the State of Oregon challenging the OPUC order. Briefs are anticipated to be filed in late 2008. PacifiCorp believes the outcome of the judicial review will not have a material impact on its consolidated financial results.

In October 2008, PacifiCorp filed its tax report for 2007 under SB 408. PacifiCorp's filing indicated that for the 2007 tax year, PacifiCorp paid $4 million more in federal, state and local taxes than was collected in rates from its retail customers.

Wyoming

In February 2008, PacifiCorp filed its annual power cost adjustment mechanism application with the Wyoming Public Service Commission (the "WPSC") for costs incurred during the period December 1, 2006 through November 30, 2007. In March 2008, the WPSC approved PacifiCorp's request on an interim basis effective April 1, 2008, resulting in a rate increase of $31 million, or an average price increase of 8%, to recover deferred power costs over a one-year period. In August 2008, PacifiCorp reached an agreement with parties to the case to adjust the rate increase to $29 million. The settlement agreement was filed with the WPSC in August 2008. In September 2008, the WPSC issued a bench order approving the stipulation agreement. The interim rates were revised to reflect the $29 million increase approved in the stipulation agreement and became effective October 15, 2008.

(5) Recent Debt Transactions

In July 2008, PacifiCorp issued $500 million of 5.65% First Mortgage Bonds due July 15, 2018 and $300 million of 6.35% First Mortgage Bonds due July 15, 2038. The net proceeds were used for general corporate purposes.

In September 2008, PacifiCorp acquired $216 million of its insured variable-rate pollution-control revenue bond obligations due to the significant reduction in market liquidity for insured variable-rate obligations.

As of September 30, 2008, PacifiCorp had $1.5 billion of total bank commitments under two unsecured revolving credit facilities. However, PacifiCorp's effective liquidity under these facilities has been reduced by $105 million to $1.395 billion due to the Lehman Brothers Holdings Inc. ("Lehman") bankruptcy filing in September 2008. Lehman filed for protection under Chapter 11 of the Federal Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. Lehman Brothers Bank, FSB and Lehman Commercial Paper, Inc., both subsidiaries of Lehman, have commitments totaling $105 million in PacifiCorp's $1.5 billion unsecured revolving credit facilities.

The first credit facility has $800 million of total bank commitments through July 6, 2011; however, it has $760 million of remaining availability following the Lehman bankruptcy. The commitments reduce over time to $630 million of remaining availability for the year ending July 6, 2013. The second credit facility has $700 million of total bank commitments through October 23, 2012; however, it has $635 million of remaining availability following the Lehman bankruptcy. Each credit facility includes a variable interest rate borrowing option based on the London Interbank Offered Rate, plus a margin that is currently 0.155% and varies based on PacifiCorp's credit ratings for its senior unsecured long-term debt securities. These credit facilities support PacifiCorp's commercial paper program, unenhanced variable-rate tax-exempt bond obligations and other short-term borrowing needs. As of September 30, 2008, PacifiCorp had $117 million borrowed under the $800 million facility and $38 million was reserved for support of unenhanced variable-rate tax-exempt bond obligations outstanding. The remaining $1.240 billion of effective liquidity under the unsecured revolving credit facilities was available.

PacifiCorp does not believe the reduction in available capacity under the credit facilities as a result of the Lehman bankruptcy will have a material adverse impact on PacifiCorp.

(6) Risk Management and Hedging Activities

PacifiCorp is exposed to the impact of market fluctuations in commodity prices, principally natural gas and electricity. Interest rate risk exists on variable-rate debt, commercial paper and future debt issuances. PacifiCorp employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity and financial derivative instruments, including forward contracts, options, swaps and other over-the-counter agreements. The risk management process established by PacifiCorp is designed to identify, assess, monitor, report, manage and mitigate each of the various types of risk involved in its business. PacifiCorp's portfolio of energy derivatives is substantially used for non-trading purposes.

In January 2008, PacifiCorp adopted FASB Staff Position No. FIN 39-1 ("FSP FIN 39-1"), which amends FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*. FSP FIN 39-1 impacts entities that enter into master netting arrangements as part of their derivative transactions by requiring entities that net derivatives to offset the fair value of amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements against the derivative values.

The following table summarizes the various derivative mark-to-market positions included in the Consolidated Balance Sheet as of September 30, 2008 (in millions):

	Derivative Net Assets (Liabilities)[1]			Regulatory Net Assets (Liabilities)	Accumulated Other Comprehensive (Income) Loss[2]
	Assets	Liabilities	Net		
Commodity	$ 308	$ (646)	$ (338)	$ 402	$ (15)
Current	$ 172	$ (162)	$ 10		
Non-current	136	(484)	(348)		
Total	$ 308	$ (646)	$ (338)		

(1) Derivative assets (liabilities) include $58 million of a net asset for cash collateral.
(2) Before income taxes.

The following table summarizes the various derivative mark-to-market positions included in the Consolidated Balance Sheet as of December 31, 2007 (in millions):

	Derivative Net Assets (Liabilities)			Regulatory Net Assets (Liabilities)	Accumulated Other Comprehensive (Income) Loss[1]
	Assets	Liabilities	Net		
Commodity	$ 357	$ (614)	$ (257)	$ 257	$ -
Foreign currency	1	-	1	(1)	-
Total	$ 358	$ (614)	$ (256)	$ 256	$ -
Current	$ 143	$ (117)	$ 26		
Non-current	215	(497)	(282)		
Total	$ 358	$ (614)	$ (256)		

(1) Before income taxes.

The following table summarizes the amount of the pre-tax unrealized gains (losses) included within the Consolidated Statements of Operations associated with changes in the fair value of PacifiCorp's derivative contracts that are not included in rates (in millions):

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2008	2007	2008	2007
Operating revenue	$ 43	$ (3)	$ 8	$ 22
Energy costs	(44)	9	(17)	(18)
Total unrealized gain (loss) on derivative contracts	$ (1)	$ 6	$ (9)	$ 4

(7) Fair Value Measurements

PacifiCorp has various financial instruments that are measured at fair value in the Consolidated Financial Statements, including marketable debt and equity securities and commodity derivatives. PacifiCorp's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that PacifiCorp has the ability to access at the measurement date.

- Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

- Level 3 – Unobservable inputs reflect PacifiCorp's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. PacifiCorp develops these inputs based on the best information available, including PacifiCorp's own data.