The following table presents PacifiCorp's assets and liabilities recognized in the Consolidated Balance Sheet and measured at fair value on a recurring basis as of September 30, 2008 (in millions):

Description	Input Levels for Fair Value Measurements				
	Level 1	Level 2	Level 3	Other[(1)]	Total
Assets[(2)]:					
Available-for-sale securities	$ 37	$ 57	$ -	$ -	$ 94
Commodity derivatives	-	333	177	(202)	308
	$ 37	$ 390	$ 177	$ (202)	$ 402
Liabilities:					
Commodity derivatives	$ -	$ (339)	$ (543)	$ 236	$ (646)

(1) Primarily represents netting under master netting arrangements and cash collateral requirements.
(2) Does not include investments in either pension or other postretirement plan assets.

PacifiCorp's investments in debt and equity securities are classified as available-for-sale and stated at fair value. When available, the quoted market price or net asset value of an identical security in the principal market is used to record the fair value. In the absence of a quoted market price in a readily observable market, the fair value is determined using pricing models based on observable market inputs and quoted market prices of securities with similar characteristics.

PacifiCorp uses various commodity derivative instruments, including forward contracts, options, swaps and other over-the-counter agreements. The fair value of commodity derivatives is determined using forward price curves derived from market price quotations, when available, or internally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent energy brokers, exchanges, direct communication with market participants and actual transactions executed by PacifiCorp. Market price quotations for certain major electricity and natural gas trading hubs are generally readily obtainable for the first six years, and therefore PacifiCorp's forward price curves for those locations and periods reflect observable market quotes. Market price quotations for other electricity and natural gas trading hubs are not as readily obtainable for the first six years or the instrument is not actively traded. Given that limited market data exists for these instruments, PacifiCorp uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs that are based on significant unobservable inputs.

The following table reconciles the beginning and ending balance of PacifiCorp's assets and liabilities measured at fair value on a recurring basis using significant Level 3 inputs (in millions):

	Commodity Derivatives	
	Three-Month Period Ended September 30, 2008	Nine-Month Period Ended September 30, 2008
Beginning Balance	$ (208)	$ (311)
Unrealized gains (losses) included in regulatory assets	(158)	(55)
Ending Balance	$ (366)	$ (366)

(8) Commitments and Contingencies

Environmental Matters

PacifiCorp is subject to numerous environmental laws, including the federal Clean Air Act, related air quality standards promulgated by the United States Environmental Protection Agency and various state air quality laws; the Endangered Species Act, particularly as it relates to certain endangered species of fish; the Comprehensive Environmental Response, Compensation and Liability Act, and similar state laws relating to environmental cleanups; the Resource Conservation and Recovery Act and similar state laws relating to the storage and handling of hazardous materials; and the Clean Water Act and similar state laws relating to water quality. These laws have the potential for impacting PacifiCorp's operations. Specifically, the Clean Air Act will likely continue to impact the operation of PacifiCorp's generating facilities and will likely require PacifiCorp to reduce emissions from those facilities through the installation of additional or improved emission controls, the purchase of additional emission allowances, or some combination thereof. As of September 30, 2008, PacifiCorp's environmental contingencies principally consisted of air quality matters. PacifiCorp believes it is in material compliance with current environmental requirements.

Accrued Environmental Costs

PacifiCorp is fully or partly responsible for environmental remediation at various contaminated sites, including sites that are or were part of PacifiCorp's operations and sites owned by third parties. PacifiCorp accrues environmental remediation expenses when the expenses are believed to be probable and can be reasonably estimated. The quantification of environmental exposures is based on many factors, including changing laws and regulations, advancements in environmental technologies, the quality of available site-specific information, site investigation results, expected remediation or settlement timelines, PacifiCorp's proportionate responsibility, contractual indemnities and coverage provided by insurance policies. The liability recorded as of September 30, 2008 and December 31, 2007 was $29 million and is included in other current liabilities and other long-term liabilities in the Consolidated Balance Sheets. Environmental remediation liabilities that separately result from the normal operation of long-lived assets and that are associated with the retirement of those assets are separately accounted for as asset retirement obligations.

Hydroelectric Relicensing

PacifiCorp's hydroelectric portfolio consists of 47 plants with an aggregate plant net owned capacity of 1,158 MW. The Federal Energy Regulatory Commission (the "FERC") regulates 98% of the net capacity of this portfolio through 16 individual licenses, which typically have terms of 30 to 50 years. In April 2008 and June 2008, the FERC issued new licenses for the Prospect and the Lewis River hydroelectric projects, respectively, as described below. PacifiCorp's Klamath hydroelectric project is currently undergoing relicensing with the FERC. Hydroelectric relicensing and the related environmental compliance requirements and litigation are subject to uncertainties. PacifiCorp expects that future costs relating to these matters will be significant and will consist primarily of additional relicensing costs, operations and maintenance expense and capital expenditures. Electricity generation reductions may result from the additional environmental requirements. PacifiCorp had incurred $90 million and $89 million in costs as of September 30, 2008 and December 31, 2007, respectively, for ongoing hydroelectric relicensing projects, which are reflected in construction work-in-progress in the Consolidated Balance Sheets.

Klamath Hydroelectric Project – (Klamath River, Oregon and California)

In February 2004, PacifiCorp filed with the FERC a final application for a new license to operate the 169-MW (nameplate rating) Klamath hydroelectric project in anticipation of the March 2006 expiration of the existing license. PacifiCorp is currently operating under an annual license issued by the FERC and expects to continue to operate under annual licenses until the new operating license is issued. As part of the relicensing process, the United States Departments of Interior and Commerce filed proposed licensing terms and conditions with the FERC in March 2006, which proposed that PacifiCorp construct upstream and downstream fish passage facilities at the Klamath hydroelectric project's four mainstem dams. In April 2006, PacifiCorp filed alternatives to the federal agencies' proposal and requested an administrative hearing to challenge some of the federal agencies' factual assumptions supporting their proposal for the construction of the fish passage facilities. A hearing was held in August 2006 before an administrative law judge. The administrative law judge issued a ruling in September 2006 generally supporting the federal agencies' factual assumptions. In January 2007, the United States Departments of Interior and Commerce filed modified terms and conditions consistent with the March 2006 filings and rejected the alternatives proposed by PacifiCorp. PacifiCorp is prepared to meet and implement the federal agencies' terms and conditions as part of the project's relicensing. However, PacifiCorp expects to continue in settlement discussions with various parties in the Klamath Basin area who have intervened with the FERC licensing proceeding to try to achieve a mutually acceptable outcome for the project.

Also, as part of the relicensing process, the FERC is required to perform an environmental review. In September 2006, the FERC issued its draft environmental impact statement on the Klamath hydroelectric project license. PacifiCorp filed comments on the draft statement by the close of the public comment period on December 1, 2006. Subsequently, in November 2007, the FERC issued its final environmental impact statement. The United States Fish and Wildlife Service and the National Marine Fisheries Service issued final biological opinions in December 2007 analyzing the hydroelectric project's impact on endangered species under a new FERC license consistent with the FERC staff's recommended alternative and modified terms and conditions issued by the United States Departments of Interior and Commerce. The United States Fish and Wildlife Service asserted that the hydroelectric project is currently not covered by previously issued biological opinions and that consultation under the Endangered Species Act is required by the issuance of annual license renewals. PacifiCorp has disputed these assertions and believes that consultation on annual FERC licenses is not required. PacifiCorp is currently working with the United States Fish and Wildlife Service to resolve any endangered species issues. PacifiCorp will need to obtain water quality certifications from Oregon and California prior to the FERC issuing a final license. PacifiCorp currently has an application pending in Oregon and resubmitted its application to California in September 2008.

In the relicensing of the Klamath hydroelectric project, PacifiCorp had incurred $54 million and $48 million in costs as of September 30, 2008 and December 31, 2007, respectively, which are reflected in construction work-in-progress in the Consolidated Balance Sheets. While the costs of implementing new license provisions cannot be determined until such time as a new license is issued, such costs could be material.

Prospect Hydroelectric Project – (Rogue River, Oregon)

In June 2003, PacifiCorp submitted a final license application to the FERC for the Prospect Nos. 1, 2 and 4 hydroelectric projects, with total nameplate ratings of 37 MW. The Oregon Department of Environmental Quality issued a 401 Water Quality certificate for the project in April 2007. In April 2008, the FERC issued a new license for a period of 30 years effective April 1, 2008. In the relicensing of the Prospect hydroelectric project, PacifiCorp had incurred $7 million in costs as of September 30, 2008 and December 31, 2007. Subsequent to the issuance of the new license, the $7 million in costs to relicense the Prospect hydroelectric project were transferred from construction work-in-progress to property, plant and equipment.

Lewis River Hydroelectric Project – (Lewis River, Washington)

PacifiCorp filed new license applications for the 136-MW (nameplate rating) Merwin and 240-MW (nameplate rating) Swift No. 1 hydroelectric projects in April 2004. An application for a new license for the 134-MW (nameplate rating) Yale hydroelectric project was filed with the FERC in April 1999. However, consideration of the Yale application was delayed pending filing of the Merwin and Swift No. 1 applications so that the FERC could complete a comprehensive environmental analysis.

In November 2004, PacifiCorp executed a comprehensive settlement agreement with 26 other parties including state and federal agencies, Native American tribes, conservation groups, and local government and citizen groups to resolve, among the parties, issues related to the pending applications for new licenses for PacifiCorp's Merwin, Swift No. 1 and Yale hydroelectric projects. As part of this settlement agreement, PacifiCorp agreed to implement certain protection, mitigation and enhancement measures prior to and during a proposed 50-year license period. These commitments were contingent on ultimately receiving licenses from the FERC and other required permits that are consistent with the settlement agreement. PacifiCorp has received water quality certificates from the Washington

Department of Ecology and biological opinions from the United States Fish and Wildlife Service and the National Marine Fisheries Service. In June 2008, the FERC issued new individual project licenses for the Merwin, Swift No. 1 and Yale hydroelectric projects, each for a period of 50 years, effective June 1, 2008. In July 2008, PacifiCorp filed a motion of request for clarification or rehearing on certain items, which were subsequently addressed by the FERC in its October 2008 order on rehearing. In the relicensing of these projects, PacifiCorp had incurred \$36 million and \$34 million in costs as of September 30, 2008 and December 31, 2007, respectively, which are reflected in construction work-in-progress in the Consolidated Balance Sheets. In October 2008, subsequent to the FERC's order on rehearing, these costs were transferred to property, plant and equipment.

Legal Matters

PacifiCorp is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. PacifiCorp does not believe that such normal and routine litigation will have a material effect on its consolidated financial results. PacifiCorp is also involved in other kinds of legal actions, some of which assert or may assert claims or seek to impose fines and penalties in substantial amounts and are described below.

In February 2007, the Sierra Club and the Wyoming Outdoor Council filed a complaint against PacifiCorp in the federal district court in Cheyenne, Wyoming, alleging violations of the Wyoming state opacity standards at PacifiCorp's Jim Bridger plant in Wyoming. Under Wyoming state requirements, which are part of the Jim Bridger plant's Title V permit and are enforceable by private citizens under the federal Clean Air Act, a potential source of pollutants such as a coal-fired generating facility must meet minimum standards for opacity, which is a measurement of light that is obscured in the flue of a generating facility. The complaint alleges thousands of violations of six-minute compliance periods and seeks an injunction ordering the Jim Bridger plant's compliance with opacity limits, civil penalties of \$32,500 per day per violation and the plaintiffs' costs of litigation. The court granted a motion to bifurcate the trial into separate liability and remedy phases. In March 2008, the court indefinitely postponed the date for the liability-phase trial. The remedy-phase trial has not yet been scheduled. The court also has before it a number of motions on which it has not yet ruled. PacifiCorp believes it has a number of defenses to the claims. PacifiCorp intends to vigorously oppose the lawsuit but cannot predict its outcome at this time. PacifiCorp has already committed to invest at least \$812 million in pollution control equipment at its generating facilities, including the Jim Bridger plant. This commitment is expected to significantly reduce system-wide emissions, including emissions at the Jim Bridger plant.

FERC Issues

Northwest Refund Case

In June 2003, the FERC terminated its proceeding relating to the possibility of requiring refunds for wholesale spot-market bilateral sales in the Pacific Northwest between December 2000 and June 2001. The FERC concluded that ordering refunds would not be an appropriate resolution of the matter. In November 2003, the FERC issued its final order denying rehearing. Several market participants, excluding PacifiCorp, filed petitions in the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit") for review of the FERC's final order. In August 2007, the Ninth Circuit concluded that the FERC failed to adequately explain how it considered or examined new evidence showing intentional market manipulation in California and its potential ties to the Pacific Northwest, and that the FERC should not have excluded from the Pacific Northwest refund proceeding purchases of energy made by the California Energy Resources Scheduling ("CERS") division in the Pacific Northwest spot market. The Ninth Circuit ordered remand of the case to the FERC to (i) address the new market manipulation evidence in detail and account for it in any future orders regarding the award or denial of refunds in the proceedings, (ii) include sales to CERS in its analysis and (iii) further consider its refund decision in light of related, intervening opinions of the court. The Ninth Circuit offered no opinion on the FERC's findings based on the record established by the administrative law judge and did not rule on the merits of the FERC's November 2003 decision to deny refunds. Due to the remand, PacifiCorp cannot predict the impact of this ruling at this time.

Commercial Commitments

The following commitments represent significant contractual obligations that PacifiCorp has entered into during the nine-month period ended September 30, 2008. Additional costs that are not contractually obligated at this time may be incurred by PacifiCorp in association with the following commitments.

PacifiCorp has an ongoing construction program to meet increased electricity usage, customer growth, and system reliability and emission control objectives. During 2008, PacifiCorp has entered into multiple new purchase commitments in the amount of $441 million for wind turbines that will be delivered at varying dates through 2010. The payment schedule is as follows: $191 million in 2008, $129 million in 2009, $108 million in 2010 and $13 million in 2011. As of September 30, 2008, PacifiCorp has made $59 million of scheduled payments for these purchase commitments.

In January 2008, PacifiCorp executed an engineering, procurement and construction ("EPC") agreement for the addition of a new sulfur dioxide scrubber on Unit 3 and the replacement of an existing scrubber on Unit 4 of the Dave Johnston plant. PacifiCorp executed an EPC agreement, effective September 2008, for a double-circuit, 345-kilovolt transmission line to be built between the Populus substation located in southern Idaho and the Terminal substation located in the Salt Lake City area, one of the first major segments of the Energy Gateway Transmission Expansion Project. PacifiCorp is committed to making total progress payments in the amount of $911 million for these two EPC agreements. Scheduled progress payments are as follows: $170 million in 2008, $601 million in 2009, $119 million in 2010, $10 million in 2011 and $11 million in 2012. As of September 30, 2008, PacifiCorp has made $60 million of scheduled payments for these EPC agreements.

PacifiCorp enters into various power purchase agreements to obtain additional energy to satisfy generation needs beyond PacifiCorp's currently available sources. In September 2008, PacifiCorp executed a power purchase agreement to purchase the entire output of the Three Buttes wind plant located in Natrona County and Converse County, Wyoming. The nameplate capacity of the proposed wind plant is expected to be 99 MW. The delivery of energy and associated renewable energy credits under this agreement is expected to commence in December 2009 for a period of 20 years. PacifiCorp will be obligated to make payments in the amount of the contractual price per MWh of actual energy delivered to PacifiCorp.

(9) Employee Benefit Plans

Net periodic benefit cost for PacifiCorp's pension plans, including its supplemental executive retirement plan, and other postretirement benefit plans included the following components (in millions):

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2008	2007	2008	2007
Pension:				
Service cost	$ 6	$ 7	$ 20	$ 21
Interest cost	17	17	50	55
Expected return on plan assets	(18)	(18)	(53)	(52)
Net amortization and other costs	2	6	5	20
Net periodic benefit cost	$ 7	$ 12	$ 22	$ 44
Other postretirement:				
Service cost	$ 2	$ 1	$ 5	$ 5
Interest cost	8	8	25	25
Expected return on plan assets	(7)	(7)	(21)	(20)
Net amortization and other costs	3	6	11	15
Net periodic benefit cost	$ 6	$ 8	$ 20	$ 25

Employer contributions to the pension and other postretirement plans are expected to be approximately $70 million and $27 million, respectively, in 2008. As of September 30, 2008, $69 million and $22 million of contributions had been made to the pension and other postretirement plans, respectively. Also during 2008, PacifiCorp expects to contribute approximately $12 million to the joint trust union plans, which are excluded from the tables above. During each of the three-month periods ended September 30, 2008 and 2007, $3 million of contributions were made to the joint trust union plans. During the nine-month periods ended September 30, 2008 and 2007, $10 million and $9 million, respectively, of contributions were made to the joint trust union plans.

In August 2008, non-bargaining employees were notified that effective January 1, 2009, PacifiCorp is offering the option to non-bargaining employees to cease participation in PacifiCorp's noncontributory defined benefit pension plan and instead receive enhanced employer contributions to PacifiCorp's 401(k) plan. As determined in October 2008 and subject to final validation, approximately 41% of eligible employees elected to receive enhanced employer contributions. The change in election is not expected to materially impact amounts currently recognized in the Consolidated Financial Statements.

(10) Comprehensive Income and Components of Accumulated Other Comprehensive Income (Loss), Net

The components of comprehensive income are as follows (in millions):

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2008	2007	2008	2007
Net income	$ 132	$ 135	$ 339	$ 339
Other comprehensive income (loss):				
Unrecognized amounts on retirement benefits, net of tax of $-, $-, $- and $-	-	(1)	-	-
Fair value adjustment on cash flow hedges, net of tax of $11, $(1), $6 and $-	18	(1)	9	-
Total other comprehensive income (loss)	18	(2)	9	-
Comprehensive income	$ 150	$ 133	$ 348	$ 339

Accumulated other comprehensive income (loss), net is included in the Consolidated Balance Sheets in common equity, and consists of the following components (in millions):

	As of	
	September 30, 2008	December 31, 2007
Unrecognized amounts on retirement benefits, net of tax of $(2) and $(2)	$ (4)	$ (4)
Fair value adjustment on cash flow hedges, net of tax of $6 and $-	9	-
Total accumulated other comprehensive income (loss), net	$ 5	$ (4)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors that have affected the financial condition and results of operations of PacifiCorp and its subsidiaries (collectively, "PacifiCorp") during the periods included herein. Explanations include management's best estimate of the impact of weather, customer growth and other factors. This discussion should be read in conjunction with PacifiCorp's historical unaudited Consolidated Financial Statements and the notes included elsewhere in Item 1 of this Form 10-Q. PacifiCorp's actual results in the future could differ significantly from the historical results.

Forward-Looking Statements

This report contains statements that do not directly or exclusively relate to historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can typically be identified by the use of forward-looking words, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "intend," "potential," "plan," "forecast," and similar terms. These statements are based upon PacifiCorp's current intentions, assumptions, expectations and beliefs and are subject to risks, uncertainties and other important factors. Many of these factors are outside PacifiCorp's control and could cause actual results to differ materially from those expressed or implied by PacifiCorp's forward-looking statements. These factors include, among others:

- general economic, political and business conditions in the jurisdictions in which PacifiCorp's facilities are located;
- changes in governmental, legislative or regulatory requirements affecting PacifiCorp or the electric utility industry, including limits on the ability of public utilities to recover income tax expense in rates, such as Oregon Senate Bill 408 ("SB 408");
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could increase operating and capital improvement costs, reduce plant output and/or delay plant construction;
- the outcome of general rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies;
- changes in economic, industry or weather conditions, as well as demographic trends, that could affect customer growth and usage or supply of electricity;
- a high degree of variance between actual and forecasted load and prices that could impact the hedging strategy and costs to balance electricity load and supply;
- hydroelectric conditions, as well as the cost, feasibility and eventual outcome of hydroelectric relicensing proceedings, that could have a significant impact on electric capacity and cost and on PacifiCorp's ability to generate electricity;
- changes in prices and availability for both purchases and sales of wholesale electricity, coal, natural gas and other fuel sources that could have a significant impact on generation capacity and energy costs;
- financial condition and creditworthiness of significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms, and deployment of capital, including severe reductions in demand for investment-grade commercial paper, debt securities and other sources of debt financing and volatility in the London Interbank Offered Rate, the base interest rate for PacifiCorp's credit facilities;
- performance of PacifiCorp's generation facilities, including unscheduled outages or repairs;
- the impact of derivative instruments used to mitigate or manage volume and price risk and interest rate risk and changes in the commodity prices, interest rates and other conditions that affect the value of the derivatives;

- the impact of increases in health care costs, changes in interest rates, mortality, morbidity and investment performance on pension and other post-retirement benefits expense, as well as the impact of changes in legislation on funding requirements;
- changes in PacifiCorp's credit ratings;
- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generation plants and infrastructure additions;
- the impact of new accounting pronouncements or changes in current accounting estimates and assumptions on financial results;
- other risks or unforeseen events, including litigation and wars, the effects of terrorism, embargos and other catastrophic events; and
- other business or investment considerations that may be disclosed from time to time in filings with the United States Securities and Exchange Commission (the "SEC") or in other publicly disseminated written documents.

Further details of the potential risks and uncertainties affecting PacifiCorp are described in its filings with the SEC, including Part II, Item 1A and other discussions contained in this Form 10-Q. PacifiCorp undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exclusive.

Results of Operations

Overview

PacifiCorp's net income was $132 million and $135 million during the three-month periods ended September 30, 2008 and 2007, respectively, and $339 million during each of the nine-month periods ended September 30, 2008 and 2007. Net income remained largely the same over the comparable periods primarily as a result of higher revenues in the current periods, which were substantially offset by higher energy costs and increased interest costs.

Operating revenue increased for the three- and nine-month periods ended September 30, 2008 primarily due to higher prices approved by regulators, growth in the average number of customers and significantly higher prices on wholesale sales. These increases were partially offset during the three-month period ended September 30, 2008 by lower average customer usage, primarily due to a mild summer in Utah. Fuel costs increased significantly for both periods at PacifiCorp's natural gas-fired generation plants due to higher average prices and higher generation levels primarily attributable to the addition of the 548-megawatt ("MW") Lake Side plant in September 2007. Fuel costs also increased due to increases in the cost of purchased and mined coal. In addition, wind generation levels increased for both periods due to the addition of the 140-MW Marengo wind plant in August 2007, the 94-MW Goodnoe Hills wind plant in May 2008 and the 70-MW Marengo II wind plant in June 2008. These generation volume increases more than offset increases in retail loads, resulting in a decrease in the volume of wholesale purchases. However, wholesale purchases were largely unchanged during the nine-month period ended September 30, 2008 due to higher purchased electricity prices.

Operations and maintenance expense increased during the three-month period ended September 30, 2008 due to increased spending on demand-side management ("DSM") programs, which are recovered in rates and increase maintenance expense. Operations and maintenance expense decreased during the nine-month period ended September 30, 2008 primarily due to lower pension expenses resulting from the May 2007 change to a cash balance formula for PacifiCorp's non-bargaining unit employees.

Output from PacifiCorp's thermal plants during the nine-month period ended September 30, 2008 increased by 1,617,293 megawatt-hours ("MWh"), or 4%, compared to the nine-month period ended September 30, 2007, primarily due to the addition of the 548-MW Lake Side plant. Output from PacifiCorp's hydroelectric facilities increased by 225,188 MWh, or 8%, during the nine-month period ended September 30, 2008 compared to the nine-month period ended September 30, 2007 due to increased snow melt in May through July of 2008 partially offset by unfavorable conditions in the first three months of 2008 due to cold temperatures.

Three-Month Periods Ended September 30, 2008 and 2007

Operating Revenue (dollars in millions)

	Three-Month Periods Ended September 30,		Favorable/(Unfavorable)	
	2008	2007	Change	% Change
Retail	$ 924	$ 904	$ 20	2%
Wholesale revenues and other	321	233	88	38
Total operating revenue	$ 1,245	$ 1,137	$ 108	9
Retail energy sales (gigawatt - hours)	14,178	14,188	(10)	-
Average retail customers (in thousands)	1,707	1,688	19	1
Wholesale energy sales (gigawatt - hours)	3,089	3,129	(40)	(1)

Retail revenues increased $20 million, or 2%, primarily due to:

- $26 million of increases from higher prices approved by regulators; and
- $13 million of increases due to growth in the average number of customers; partially offset by,
- $18 million of decreases due to lower average customer usage, primarily attributable to a mild summer in Utah.

Wholesale revenues and other revenues increased $88 million, or 38%, primarily due to:

- $46 million of increases due to changes in the fair value of energy sales contracts accounted for as derivatives;
- $33 million of increases substantially due to higher average prices on wholesale electric sales; and
- $4 million of increases in transmission revenue primarily due to higher contract prices.

Operating Costs and Expenses (in millions)

	Three-Month Periods Ended September 30,		Favorable/(Unfavorable)	
	2008	2007	$ Change	% Change
Energy costs	$ 585	$ 487	$ (98)	(20)%
Operations and maintenance	240	230	(10)	(4)
Depreciation and amortization	123	125	2	2
Taxes, other than income taxes	28	26	(2)	(8)
Total operating costs and expenses	$ 976	$ 868	$ (108)	(12)

Energy costs increased $98 million, or 20%, primarily due to:

- $53 million of increases due to changes in the fair value of energy purchase contracts accounted for as derivatives;
- $31 million of increases primarily due to higher average prices and higher volumes of natural gas consumed;
- $18 million of increases primarily due to the deferral and amortization of incurred power costs in accordance with established adjustment mechanisms;
- $9 million of coal cost increases primarily due to higher average coal prices; and
- $6 million of increases in transmission costs primarily due to new contracts; partially offset by,
- $20 million of decreases due to lower volumes of purchased electricity, partially offset by higher average prices.

Operations and maintenance increased $10 million, or 4%, primarily due to:

- $6 million of increases in DSM expense due to increased spending in Utah and Oregon;
- $5 million of increases in maintenance expense primarily due to increased generation plant overhauls and new wind plant operation and maintenance contracts;
- $2 million of increases in materials and supplies expense due to increased fuel and chemical costs; and
- $2 million of increases in bad debt expense; partially offset by,
- $8 million of decreases in employee expenses primarily due to lower pension and other postretirement benefit expenses.

Depreciation and amortization decreased $2 million, or 2%, primarily due to a $12 million reduction resulting from the extension of the depreciable lives of certain property, plant and equipment as a result of PacifiCorp's recent depreciation study, substantially offset by higher plant-in-service in the current period.

Taxes, other than income taxes increased $2 million, or 8%, primarily due to increased property tax expense due to higher levels of assessable property.

Other Income (Expense) (in millions)

	Three-Month Periods Ended September 30,		Favorable/(Unfavorable)	
	2008	2007	$ Change	% Change
Interest expense	$ (90)	$ (76)	$ (14)	(18)%
Allowance for borrowed funds	7	8	(1)	(13)
Allowance for equity funds	10	11	(1)	(9)
Interest income	4	3	1	33
Other	-	(2)	2	100
Total other income (expense)	$ (69)	$ (56)	$ (13)	(23)

Interest expense increased $14 million, or 18%, substantially due to higher average debt outstanding during the three-month period ended September 30, 2008.

Allowance for borrowed and equity funds decreased $2 million, or 11%, primarily due to lower qualified construction work-in-progress balances and lower average rates during the three-month period ended September 30, 2008.

Income Tax Expense

Income tax expense for the three-month period ended September 30, 2008 decreased $10 million to $68 million from the comparable period in 2007, primarily due to lower pre-tax earnings, combined with increased tax benefits associated with the regulatory treatment of certain deferred income taxes, tax years under examination by the Internal Revenue Service and higher production tax credits associated with increased wind generation production, partially offset by lower tax benefits associated with the amortization of federal investment tax credits. The effective tax rates were 34% and 37% for the three-month periods ended September 30, 2008 and 2007, respectively.

Nine-Month Periods Ended September 30, 2008 and 2007

Operating Revenue (dollars in millions)

	Nine-Month Periods Ended September 30,		Favorable/(Unfavorable)	
	2008	2007	Change	% Change
Retail	$ 2,598	$ 2,455	$ 143	6%
Wholesale revenues and other	797	735	62	8
Total operating revenue	$ 3,395	$ 3,190	$ 205	6
Retail energy sales (gigawatt - hours)	40,780	40,054	726	2
Average retail customers (in thousands)	1,704	1,680	24	1
Wholesale energy sales (gigawatt - hours)	9,116	10,117	(1,001)	(10)