

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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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 503-813-5608	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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 of the shares of outstanding common stock are indirectly owned by MidAmerican Energy Holdings Company, 666 Grand Avenue, Des Moines, Iowa 50309-2580. As of July 31, 2013, 357,060,915 shares of common stock were outstanding.

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Definition of Abbreviations and Industry Terms

When used in Forward-Looking Statements, Part I - Items 2 through 4, and Part II - Items 1 through 6, the following terms have the definitions indicated.

PacifiCorp and Related Entities

MEHC	MidAmerican Energy Holdings Company
PacifiCorp	PacifiCorp and its subsidiaries
PPW Holdings	PPW Holdings LLC, a wholly owned subsidiary of MEHC and PacifiCorp's direct parent company

Certain Industry Terms

AFUDC	Allowance for Funds Used During Construction
CPUC	California Public Utilities Commission
EBA	Energy Balancing Account
ECAM	Energy Cost Adjustment Mechanism
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
GHG	Greenhouse Gases
GWh	Gigawatt Hours
IPUC	Idaho Public Utilities Commission
IRP	Integrated Resource Plan
kV	Kilovolt
MW	Megawatts
MWh	Megawatt Hours
OPUC	Oregon Public Utility Commission
PTAM	Post Test-year Adjustment Mechanism
REC	Renewable Energy Credit
RPS	Renewable Portfolio Standards
RRA	Renewable Energy Credit and Sulfur Dioxide Revenue Adjustment Mechanism
SEC	United States Securities and Exchange Commission
SIP	State Implementation Plan
UPSC	Utah Public Service Commission
WPSC	Wyoming Public Service Commission
WUTC	Washington Utilities and Transportation Commission

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 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements can typically be identified by the use of forward-looking words, such as "will," "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 the control of PacifiCorp and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others:

- general economic, political and business conditions, as well as changes in, and compliance with, laws and regulations, including reliability and safety standards, affecting PacifiCorp's operations or related industries;
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could, among other items, increase operating and capital costs, reduce generating facility output, accelerate generating facility retirements or delay generating facility construction or acquisition;
- the outcome of rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies and PacifiCorp's ability to recover costs in rates in a timely manner;
- changes in economic, industry or weather conditions, as well as demographic trends and new technologies, that could affect customer growth and usage, electricity supply or PacifiCorp's ability to obtain long-term contracts with customers and suppliers;
- a high degree of variance between actual and forecasted load or generation that could impact PacifiCorp's hedging strategy and the cost of balancing its generation resources with its retail load obligations;
- performance and availability of PacifiCorp's generating facilities, including the impacts of outages and repairs, transmission constraints, weather, including wind and hydroelectric conditions, and operating conditions;
- hydroelectric conditions and the cost, feasibility and eventual outcome of hydroelectric relicensing proceedings, that could have a significant impact on generating capacity and cost and PacifiCorp's ability to generate electricity;
- changes in prices, availability and demand for wholesale electricity, coal, natural gas, other fuel sources and fuel transportation that could have a significant impact on generating capacity and energy costs;
- the financial condition and creditworthiness of PacifiCorp's significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms and deployment of capital, including 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;
- changes in PacifiCorp's credit ratings;
- the impact of certain contracts used to mitigate or manage volume, price and interest rate risk, including increased collateral requirements, and changes in commodity prices, interest rates and other conditions that affect the fair value of certain contracts;
- the impact of inflation on costs and PacifiCorp's ability to recover such costs in rates;
- increases in employee healthcare costs, including the implementation of the Affordable Care Act;
- the impact of investment performance and changes in interest rates, legislation, healthcare cost trends, mortality and morbidity on pension and other postretirement benefits expense and funding requirements;

- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generating facilities and infrastructure additions;
- the impact of new accounting guidance or changes in current accounting estimates and assumptions on PacifiCorp's consolidated financial results;
- other risks or unforeseen events, including the effects of storms, floods, fires, earthquakes, explosions, landslides, litigation, wars, terrorism, embargoes and other catastrophic events, including catastrophic events triggered by a breakdown or failure of PacifiCorp's operating assets; and
- other business or investment considerations that may be disclosed from time to time in PacifiCorp's filings with 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 factors should not be construed as exclusive.

PART I

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
PacifiCorp
Portland, Oregon

We have reviewed the accompanying consolidated balance sheet of PacifiCorp and subsidiaries ("PacifiCorp") as of June 30, 2013, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2013 and 2012, and of changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2013 and 2012. 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, 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2012 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
August 2, 2013

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

ASSETS	As of	
	June 30, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	\$ 119	\$ 80
Accounts receivable, net	620	671
Inventories:		
Materials and supplies	211	202
Fuel	276	266
Deferred income taxes	90	112
Regulatory assets	68	62
Other current assets	58	75
Total current assets	1,442	1,468
Property, plant and equipment, net	18,246	18,057
Regulatory assets	1,712	1,773
Other assets	424	430
Total assets	\$ 21,824	\$ 21,728

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY	As of	
	June 30, 2013	December 31, 2012
Current liabilities:		
Accounts payable	\$ 419	\$ 467
Income taxes payable	37	48
Accrued employee expenses	114	77
Accrued interest	114	113
Accrued property and other taxes	90	54
Current portion of long-term debt and capital lease obligations	227	267
Regulatory liabilities	59	62
Other current liabilities	200	196
Total current liabilities	1,260	1,284
Regulatory liabilities	869	851
Long-term debt and capital lease obligations	6,864	6,594
Deferred income taxes	4,230	4,168
Other long-term liabilities	1,137	1,187
Total liabilities	14,360	14,084
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock	36	41
Common stock - 750 shares authorized, no par value, 357 shares issued and outstanding	—	—
Additional paid-in capital	4,479	4,479
Retained earnings	2,961	3,136
Accumulated other comprehensive loss, net	(12)	(12)
Total shareholders' equity	7,464	7,644
Total liabilities and shareholders' equity	\$ 21,824	\$ 21,728

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

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

	Three-Month Periods		Six-Month Periods	
	Ended June 30,		Ended June 30,	
	2013	2012	2013	2012
Operating revenue	\$ 1,215	\$ 1,153	\$ 2,447	\$ 2,344
Operating costs and expenses:				
Energy costs	428	404	881	849
Operations and maintenance	267	300	538	569
Depreciation and amortization	169	160	337	317
Taxes, other than income taxes	40	38	83	80
Total operating costs and expenses	904	902	1,839	1,815
Operating income	311	251	608	529
Other income (expense):				
Interest expense	(96)	(95)	(190)	(190)
Allowance for borrowed funds	7	8	15	15
Allowance for equity funds	14	15	29	30
Other, net	1	(1)	2	2
Total other income (expense)	(74)	(73)	(144)	(143)
Income before income tax expense	237	178	464	386
Income tax expense	71	48	138	105
Net income	\$ 166	\$ 130	\$ 326	\$ 281

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

PACIFICORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(Amounts in millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Total Shareholders' Equity
Balance at December 31, 2011	\$ 41	\$ —	\$ 4,479	\$ 2,801	\$ (9)	\$ 7,312
Net income	—	—	—	281	—	281
Preferred stock dividends declared	—	—	—	(1)	—	(1)
Common stock dividends declared	—	—	—	(50)	—	(50)
Balance at June 30, 2012	<u>\$ 41</u>	<u>\$ —</u>	<u>\$ 4,479</u>	<u>\$ 3,031</u>	<u>\$ (9)</u>	<u>\$ 7,542</u>
Balance at December 31, 2012	\$ 41	\$ —	\$ 4,479	\$ 3,136	\$ (12)	\$ 7,644
Net income	—	—	—	326	—	326
Preferred stock dividends declared	—	—	—	(1)	—	(1)
Common stock dividends declared	—	—	—	(500)	—	(500)
Redemption of preferred stock	(5)	—	—	—	—	(5)
Balance at June 30, 2013	<u>\$ 36</u>	<u>\$ —</u>	<u>\$ 4,479</u>	<u>\$ 2,961</u>	<u>\$ (12)</u>	<u>\$ 7,464</u>

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

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

	Six-Month Periods	
	Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 326	\$ 281
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	337	317
Deferred income taxes and amortization of investment tax credits	78	170
Changes in regulatory assets and liabilities	(7)	(4)
Other, net	(20)	(18)
Changes in other operating assets and liabilities:		
Accounts receivable and other assets	69	54
Derivative collateral, net	23	13
Inventories	(19)	(37)
Income taxes, net	(11)	130
Accounts payable and other liabilities	55	(24)
Net cash flows from operating activities	<u>831</u>	<u>882</u>
Cash flows from investing activities:		
Capital expenditures	(518)	(721)
Other, net	6	(13)
Net cash flows from investing activities	<u>(512)</u>	<u>(734)</u>
Cash flows from financing activities:		
Net repayments of short-term debt	—	(688)
Proceeds from long-term debt	299	749
Repayments and redemptions of long-term debt and capital lease obligations	(71)	(90)
Redemption of preferred stock	(5)	—
Common stock dividends	(500)	(50)
Preferred stock dividends	(1)	(1)
Other, net	(2)	(8)
Net cash flows from financing activities	<u>(280)</u>	<u>(88)</u>
Net change in cash and cash equivalents	39	60
Cash and cash equivalents at beginning of period	80	47
Cash and cash equivalents at end of period	<u>\$ 119</u>	<u>\$ 107</u>

The accompanying notes are an integral part of these consolidated 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 retail customers, including residential, commercial, industrial, irrigation 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 facilities, 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, financial institutions and incorporated municipalities. PacifiCorp is subject to comprehensive state and federal regulation. PacifiCorp's subsidiaries support its electric utility operations by providing coal mining services. PacifiCorp is an indirect subsidiary of MidAmerican Energy Holdings Company ("MEHC"), a holding company based in Des Moines, Iowa that owns subsidiaries principally engaged in energy businesses. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. ("Berkshire Hathaway").

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 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 Consolidated Financial Statements as of June 30, 2013 and for the three- and six-month periods ended June 30, 2013 and 2012. The results of operations for the three- and six-month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year.

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 unaudited Consolidated Financial Statements and the reported amounts of revenue 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, 2012 describes the most significant accounting policies used in the preparation of the unaudited Consolidated Financial Statements. There have been no significant changes in PacifiCorp's assumptions regarding significant accounting estimates and policies during the six-month period ended June 30, 2013.

(2) New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-04, which amends FASB Accounting Standards Codification ("ASC") Topic 405, "Liabilities." The amendments in this guidance require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the amount the reporting entity agreed to pay plus any additional amounts the reporting entity expects to pay on behalf of its co-obligor. Additionally, the guidance requires the entity to disclose the nature and amount of the obligation, as well as other information about those obligations. This guidance is effective for interim and annual reporting periods beginning after December 15, 2013. PacifiCorp is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements.

In February 2013, the FASB issued ASU No. 2013-02, which amends FASB ASC Topic 220, "Comprehensive Income." The amendments in this guidance require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required by GAAP that provide additional detail about those amounts. PacifiCorp adopted this guidance on January 1, 2013. The adoption of this guidance did not have a material impact on PacifiCorp's disclosures included within Notes to Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11, which amends FASB ASC Topic 210, "Balance Sheet." The amendments in this guidance require an entity to provide quantitative disclosures about offsetting financial instruments and derivative instruments. Additionally, this guidance requires qualitative and quantitative disclosures about master netting agreements or similar agreements when the financial instruments and derivative instruments are not offset. In January 2013, the FASB issued ASU No. 2013-01, which also amends FASB ASC Topic 210 to clarify that the scope of ASU No. 2011-11 only applies to derivative instruments, repurchase agreements, reverse purchase agreements and securities borrowing and securities lending transactions that are either being offset or are subject to an enforceable master netting arrangement or similar agreement. PacifiCorp adopted the guidance on January 1, 2013. The adoption of the guidance did not have a material impact on PacifiCorp's disclosures included within Notes to Consolidated Financial Statements.

(3) Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following (in millions):

	Depreciable Life	As of	
		June 30, 2013	December 31, 2012
Property, plant and equipment	5-80 years	\$ 24,606	\$ 24,024
Accumulated depreciation and amortization		(7,447)	(7,222)
Net property, plant and equipment in service		17,159	16,802
Construction work-in-progress		1,087	1,255
Total property, plant and equipment, net		\$ 18,246	\$ 18,057

(4) Recent Financing Transactions

In June 2013, PacifiCorp issued \$300 million of its 2.95% First Mortgage Bonds due June 2023. The net proceeds are being used to fund capital expenditures and for general corporate purposes, including a portion of the common stock dividend paid to PPW Holdings LLC, a direct wholly owned subsidiary of MEHC and PacifiCorp's direct parent company in June 2013.

In March 2013, PacifiCorp replaced its \$630 million unsecured revolving credit facility, which had been set to expire in July 2013 with a \$600 million unsecured revolving credit facility expiring in March 2018. The new credit facility, which supports PacifiCorp's commercial paper program, certain series of its tax-exempt bond obligations and provides for the issuance of letters of credit, has a variable interest rate based on the London Interbank Offered Rate or a base rate, at PacifiCorp's option, plus a spread that varies based on PacifiCorp's credit ratings for its senior unsecured long-term debt securities. As of June 30, 2013, PacifiCorp had no borrowings outstanding under this credit facility. The credit facility requires that PacifiCorp's ratio of consolidated debt, including current maturities, to total capitalization not exceed 0.65 to 1.0 as of the last day of each quarter. As of June 30, 2013, \$270 million of letters of credit were issued under this credit agreement to support variable-rate tax-exempt bond obligations. These letters of credit were previously issued under the credit facility that was replaced.

In March 2013, PacifiCorp obtained \$289 million of letters of credit to support variable-rate tax-exempt bond obligations. These letters of credit expire through March 2015 and replaced certain letters of credit previously issued under one of the revolving credit facilities.

As of December 31, 2012, PacifiCorp had \$68 million of tax-exempt bond obligations with fixed interest rates, ranging from 3.90% to 4.13%, scheduled to reset to variable or fixed interest rates in June 2013. In June 2013, \$17 million of these tax-exempt bond obligations were redeemed and retired prior to their scheduled 2014 maturity date. The interest rates for the remaining \$51 million, with maturity dates ranging from 2014 to 2025, were reset to variable interest rates with a weighted average interest rate of 0.25% as of June 30, 2013.

(5) Employee Benefit Plans

Net periodic benefit cost for the pension and other postretirement benefit plans included the following components (in millions):

	Three-Month Periods		Six-Month Periods	
	Ended June 30,		Ended June 30,	
	2013	2012	2013	2012
Pension:				
Service cost	\$ 2	\$ 2	\$ 3	\$ 4
Interest cost	13	15	27	30
Expected return on plan assets	(18)	(18)	(37)	(37)
Net amortization	12	8	24	17
Net periodic benefit cost	<u>\$ 9</u>	<u>\$ 7</u>	<u>\$ 17</u>	<u>\$ 14</u>
Other postretirement:				
Service cost	\$ 2	\$ 1	\$ 4	\$ 3
Interest cost	7	7	13	14
Expected return on plan assets	(8)	(7)	(15)	(15)
Net amortization	2	1	4	2
Net periodic benefit cost	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 4</u>

Employer contributions to the pension and other postretirement benefit plans are expected to be \$64 million and \$13 million, respectively, during 2013. As of June 30, 2013, \$46 million and \$4 million of contributions had been made to the pension and other postretirement benefit plans, respectively.

(6) Risk Management and Hedging Activities

PacifiCorp is exposed to the impact of market fluctuations in commodity prices and interest rates. PacifiCorp is principally exposed to electricity, natural gas, coal and fuel oil commodity price risk as it has an obligation to serve retail customer load in its regulated service territories. PacifiCorp's load and generating facilities represent substantial underlying commodity positions. Exposures to commodity prices consist mainly of variations in the price of fuel required to generate electricity and wholesale electricity that is purchased and sold. Commodity prices are subject to wide price swings as supply and demand are impacted by, among many other unpredictable items, weather, market liquidity, generating facility availability, customer usage, storage, and transmission and transportation constraints. Interest rate risk exists on variable-rate debt and future debt issuances. PacifiCorp does not engage in a material amount of proprietary trading activities.

PacifiCorp has established a risk management process that is designed to identify, assess, monitor, report, manage and mitigate each of the various types of risk involved in its business. To mitigate a portion of its commodity price risk, PacifiCorp uses commodity derivative contracts, which may include forwards, options, swaps and other agreements, to effectively secure future supply or sell future production generally at fixed prices. PacifiCorp manages its interest rate risk by limiting its exposure to variable interest rates primarily through the issuance of fixed-rate long-term debt and by monitoring market changes in interest rates. Additionally, PacifiCorp may from time to time enter into interest rate derivative contracts, such as interest rate swaps or locks, to mitigate PacifiCorp's exposure to interest rate risk. No interest rate derivatives were in place during the periods presented. PacifiCorp does not hedge all of its commodity price and interest rate risks, thereby exposing the unhedged portion to changes in market prices.

There have been no significant changes in PacifiCorp's accounting policies related to derivatives. Refer to Note 7 for additional information on derivative contracts.

The following table, which reflects master netting arrangements and excludes contracts that have been designated as normal under the normal purchases or normal sales exception afforded by GAAP, summarizes the fair value of PacifiCorp's derivative contracts, on a gross basis, and reconciles those amounts to the amounts presented on a net basis on the Consolidated Balance Sheets (in millions):

	Other Current Assets	Other Assets	Other Current Liabilities	Other Long-term Liabilities	Total
As of June 30, 2013					
Not designated as hedging contracts⁽¹⁾:					
Commodity assets	\$ 6	\$ 1	\$ 19	\$ —	\$ 26
Commodity liabilities	(2)	—	(86)	(23)	(111)
Total	4	1	(67)	(23)	(85)
Total derivatives	4	1	(67)	(23)	(85)
Cash collateral receivable	—	—	32	—	32
Total derivatives - net basis⁽²⁾	\$ 4	\$ 1	\$ (35)	\$ (23)	\$ (53)
As of December 31, 2012					
Not designated as hedging contracts⁽¹⁾:					
Commodity assets	\$ 10	\$ 3	\$ 18	\$ 1	\$ 32
Commodity liabilities	(2)	(2)	(122)	(27)	(153)
Total	8	1	(104)	(26)	(121)
Total derivatives	8	1	(104)	(26)	(121)
Cash collateral receivable	—	—	55	—	55
Total derivatives - net basis⁽³⁾	\$ 8	\$ 1	\$ (49)	\$ (26)	\$ (66)

- (1) PacifiCorp's commodity derivatives are generally included in rates and as of June 30, 2013 and December 31, 2012, a regulatory asset of \$85 million and \$121 million, respectively, was recorded related to the net derivative liability of \$85 million and \$121 million, respectively.
- (2) Under master netting arrangements, as of June 30, 2013, PacifiCorp had the right to offset \$2 million of payables with current derivative assets upon counterparty default.
- (3) Under master netting arrangements, as of December 31, 2012, PacifiCorp had the right to offset \$6 million of receivables and \$1 million of letters of credit with current derivative liabilities upon counterparty default.

The following table reconciles the beginning and ending balances of PacifiCorp's regulatory assets and summarizes the pre-tax gains and losses on commodity derivative contracts recognized in regulatory assets, as well as amounts reclassified to earnings (in millions):

	Three-Month Periods		Six-Month Periods	
	Ended June 30,		Ended June 30,	
	2013	2012	2013	2012
Beginning balance	\$ 82	\$ 284	\$ 121	\$ 264
Changes in fair value recognized in regulatory assets	14	(4)	(5)	48
Net (losses) gains reclassified to operating revenue	(2)	4	(1)	18
Net losses reclassified to energy costs	(9)	(67)	(30)	(113)
Ending balance	\$ 85	\$ 217	\$ 85	\$ 217

Derivative Contract Volumes

The following table summarizes the net notional amounts of outstanding commodity derivative contracts with fixed price terms that comprise the mark-to-market values as of (in millions):

	Unit of Measure	June 30, 2013	December 31, 2012
Electricity sales	Megawatt hours	(1)	(1)
Natural gas purchases	Decatherms	61	74
Fuel oil purchases	Gallons	8	16

Credit Risk

PacifiCorp extends unsecured credit to other utilities, energy marketing companies, financial institutions and other market participants in conjunction with its wholesale energy supply and marketing activities. Credit risk relates to the risk of loss that might occur as a result of nonperformance by counterparties on their contractual obligations to make or take delivery of electricity, natural gas or other commodities and to make financial settlements of these obligations. Credit risk may be concentrated to the extent that one or more groups of counterparties have similar economic, industry or other characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in market or other conditions. In addition, credit risk includes not only the risk that a counterparty may default due to circumstances relating directly to it, but also the risk that a counterparty may default due to circumstances involving other market participants that have a direct or indirect relationship with the counterparty.

PacifiCorp analyzes the financial condition of each significant wholesale counterparty before entering into any transactions, establishes limits on the amount of unsecured credit to be extended to each counterparty and evaluates the appropriateness of unsecured credit limits on an ongoing basis. To mitigate exposure to the financial risks of wholesale counterparties, PacifiCorp enters into netting and collateral arrangements that may include margining and cross-product netting agreements and obtains third-party guarantees, letters of credit and cash deposits. Counterparties may be assessed fees for delayed payments. If required, PacifiCorp exercises rights under these arrangements, including calling on the counterparty's credit support arrangement.

Collateral and Contingent Features

In accordance with industry practice, certain wholesale derivative contracts contain provisions that require PacifiCorp to maintain specific credit ratings from one or more of the major credit rating agencies on its unsecured debt. These derivative contracts may either specifically provide bilateral rights to demand cash or other security if credit exposures on a net basis exceed specified rating-dependent threshold levels ("credit-risk-related contingent features") or provide the right for counterparties to demand "adequate assurance" in the event of a material adverse change in PacifiCorp's creditworthiness. These rights can vary by contract and by counterparty. As of June 30, 2013, PacifiCorp's credit ratings from the three recognized credit rating agencies were investment grade.

The aggregate fair value of PacifiCorp's derivative contracts in liability positions with specific credit-risk-related contingent features totaled \$110 million and \$153 million as of June 30, 2013 and December 31, 2012, respectively, for which PacifiCorp had posted collateral of \$32 million and \$56 million, respectively, in the form of cash deposits and letters of credit. If all credit-risk-related contingent features for derivative contracts in liability positions had been triggered as of June 30, 2013 and December 31, 2012, PacifiCorp would have been required to post \$56 million and \$73 million, respectively, of additional collateral. PacifiCorp's collateral requirements could fluctuate considerably due to market price volatility, changes in credit ratings, changes in legislation or regulation or other factors.

(7) Fair Value Measurements

The carrying value of PacifiCorp's cash, certain cash equivalents, receivables, payables, accrued liabilities and short-term borrowings approximates fair value because of the short-term maturity of these instruments. PacifiCorp has various financial assets and liabilities that are measured at fair value on the Consolidated Financial Statements 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 or 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 its own data.

The following table presents PacifiCorp's assets and liabilities recognized on the Consolidated Balance Sheets and measured at fair value on a recurring basis (in millions):

	Input Levels for Fair Value Measurements			Other⁽¹⁾	Total
	Level 1	Level 2	Level 3		
As of June 30, 2013					
Assets:					
Commodity derivatives	\$ —	\$ 25	\$ 1	\$ (21)	\$ 5
Money market mutual funds ⁽²⁾	114	—	—	—	114
	<u>\$ 114</u>	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ (21)</u>	<u>\$ 119</u>
Liabilities - Commodity derivatives	<u>\$ —</u>	<u>\$ (111)</u>	<u>\$ —</u>	<u>\$ 53</u>	<u>\$ (58)</u>
As of December 31, 2012					
Assets:					
Commodity derivatives	\$ —	\$ 32	\$ —	\$ (23)	\$ 9
Money market mutual funds ⁽²⁾	73	—	—	—	73
	<u>\$ 73</u>	<u>\$ 32</u>	<u>\$ —</u>	<u>\$ (23)</u>	<u>\$ 82</u>
Liabilities - Commodity derivatives	<u>\$ —</u>	<u>\$ (153)</u>	<u>\$ —</u>	<u>\$ 78</u>	<u>\$ (75)</u>

(1) Represents netting under master netting arrangements and a net cash collateral receivable of \$32 million and \$55 million as of June 30, 2013 and December 31, 2012, respectively.

(2) Amounts are included in cash and cash equivalents, other current assets and other assets on the Consolidated Balance Sheets. The fair value of these money market mutual funds approximates cost.

Derivative contracts are recorded on the Consolidated Balance Sheets as either assets or liabilities and are stated at fair value unless they are designated as normal purchases or normal sales and qualify for the exception afforded by GAAP. When available, the fair value of derivative contracts is estimated using unadjusted quoted prices for identical contracts in the market in which PacifiCorp transacts. When quoted prices for identical contracts are not available, PacifiCorp uses forward price curves. Forward price curves represent PacifiCorp's estimates of the prices at which a buyer or seller could contract today for delivery or settlement at future dates. PacifiCorp bases its forward price curves upon 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; 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. Given that limited market data exists for these contracts, as well as for those contracts that are not actively traded, PacifiCorp uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs that are based on unobservable inputs. The estimated fair value of these derivative contracts is a function of underlying forward commodity prices, interest rates, currency rates, related volatility, counterparty creditworthiness and duration of contracts. Refer to Note 6 for further discussion regarding PacifiCorp's risk management and hedging activities.

PacifiCorp's investments in money market mutual funds are accounted for as available-for-sale securities and are stated at fair value. PacifiCorp uses a readily observable quoted market price or net asset value of an identical security in an active market to record the fair value.

PacifiCorp's long-term debt is carried at cost on the Consolidated Financial Statements. The fair value of PacifiCorp's long-term debt is a Level 2 fair value measurement and has been estimated based upon quoted market prices, where available, or at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risks. The carrying value of PacifiCorp's variable-rate long-term debt approximates fair value because of the frequent repricing of these instruments at market rates. The following table presents the carrying value and estimated fair value of PacifiCorp's long-term debt (in millions):

	As of June 30, 2013		As of December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 7,038	\$ 8,040	\$ 6,806	\$ 8,350

(8) Commitments and Contingencies

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 impact 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, penalties and other costs in substantial amounts and are described below.

USA Power

In October 2005, prior to MEHC's ownership of PacifiCorp, PacifiCorp was added as a defendant to a lawsuit originally filed in February 2005 in the Third District Court of Salt Lake County, Utah ("Third District Court") by USA Power, LLC, USA Power Partners, LLC and Spring Canyon Energy, LLC (collectively, the "Plaintiff"). The Plaintiff's complaint alleged that PacifiCorp misappropriated confidential proprietary information in violation of Utah's Uniform Trade Secrets Act and accused PacifiCorp of breach of contract and related claims in regard to the Plaintiff's 2002 and 2003 proposals to build a natural gas-fueled generating facility in Juab County, Utah. In October 2007, the Third District Court granted PacifiCorp's motion for summary judgment on all counts and dismissed the Plaintiff's claims in their entirety. In February 2008, the Plaintiff filed a petition requesting consideration by the Utah Supreme Court. In May 2010, the Utah Supreme Court reversed summary judgment and remanded the case back to the Third District Court for further consideration, which led to a trial that began in April 2012. In May 2012, the jury reached a verdict in favor of the Plaintiff on its claims. The jury awarded damages to the Plaintiff for breach of contract and misappropriation of a trade secret in the amounts of \$18 million for actual damages and \$113 million for unjust enrichment. In May 2012, the Plaintiff filed a motion seeking exemplary damages. Under the Utah Uniform Trade Secrets law, the judge may award exemplary damages in an additional amount not to exceed twice the original award. The Plaintiff also filed a motion to seek recovery of attorneys' fees in an amount equal to 40% of all amounts ultimately awarded in the case. In October 2012, PacifiCorp filed post-trial motions for a judgment notwithstanding the verdict and a new trial (collectively, "PacifiCorp's post-trial motions"). The trial judge stayed briefing on the Plaintiff's motions, pending resolution of PacifiCorp's post-trial motions. As a result of a hearing in December 2012, the trial judge denied PacifiCorp's post-trial motions with the exception of reducing the aggregate amount of damages to \$113 million. In January 2013, the Plaintiff filed a motion for prejudgment interest. In the first quarter of 2013, PacifiCorp filed its responses to the Plaintiff's post-trial motions for exemplary damages, attorneys' fees and prejudgment interest. An initial judgment was entered in April 2013 in which the trial judge denied the Plaintiff's motions for exemplary damages and prejudgment interest and ruled that PacifiCorp must pay the Plaintiff's attorneys' fees based on applying a reasonable rate to hours worked rather than the Plaintiff's request for an amount equal to 40% of all amounts ultimately awarded. In May 2013, a final judgment was entered against PacifiCorp in the amount of \$115 million, which includes the \$113 million of aggregate damages previously awarded and amounts awarded for the Plaintiff's attorneys' fees. The final judgment also ordered that postjudgment interest accrue beginning as of the date of the April 2013 initial judgment. In May 2013, PacifiCorp posted a surety bond issued by a subsidiary of Berkshire Hathaway to secure its estimated obligation.

Both PacifiCorp and the Plaintiff filed appeals with the Utah Supreme Court. PacifiCorp strongly disagrees with the jury's verdict and plans to vigorously pursue all appellate measures. The appeals are awaiting a briefing schedule to be set by the Utah Supreme Court. As of June 30, 2013, PacifiCorp had accrued \$115 million for the final judgment and postjudgment interest, and believes the likelihood of any additional material loss is remote; however, any additional awards against PacifiCorp could also have a material effect on the consolidated financial results. Any payment of damages will be at the end of the appeals process, which could take as long as several years.

Northwest Refund Case

In October 2011, the Federal Energy Regulatory Commission ("FERC") issued an order on remand by the United States Court of Appeals for the Ninth Circuit, in which it determined that additional procedures are needed to address possible unlawful activity that may have influenced prices in the Pacific Northwest wholesale spot market during the period from December 2000 through June 2001. PacifiCorp was a participant in the Pacific Northwest wholesale spot market during this period. The FERC ordered an evidentiary, trial-type hearing before an administrative law judge to permit parties to present evidence of alleged unlawful market activity. However, the FERC held the hearing in abeyance pending settlement discussions among all parties. The plaintiff parties to the proceeding filed claims against multiple parties, including PacifiCorp. PacifiCorp entered into settlements with the plaintiff parties, and the resulting settlements were approved by the FERC. The outcome of such settlements did not have a material impact on PacifiCorp's consolidated financial results. The FERC, however, declined to dismiss PacifiCorp from the case entirely, noting that additional parties may, in the future, assert sequential claims against parties to the case, including PacifiCorp. PacifiCorp believes it is unlikely that the FERC will address sequential claims until after the primary cases have proceeded through the trial-type hearing. Due to the uncertainties associated with the sequential claims, PacifiCorp is unable to predict the outcome and the impact of any claims on its consolidated financial results.

Environmental Laws and Regulations

PacifiCorp is subject to federal, state and local laws and regulations regarding air and water quality, renewable portfolio standards, emissions performance standards, climate change, coal combustion byproduct disposal, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact PacifiCorp's current and future operations. PacifiCorp believes it is in material compliance with all applicable laws and regulations.

(9) Shareholders' Equity

In May 2013, PacifiCorp redeemed and canceled the remaining shares of its \$100 stated value 5.00% Serial Preferred Stock at the redemption price of \$100 per share plus accrued and unpaid dividends.

(10) Other Related-Party Transactions

Berkshire Hathaway includes MEHC and its subsidiaries in its United States federal income tax return. Consistent with established regulatory practice, PacifiCorp's provision for income taxes has been computed on a stand-alone basis, and substantially all of its currently payable or receivable income taxes are remitted to or received from MEHC. For the six-month period ended June 30, 2013, PacifiCorp made net cash payments for income taxes to MEHC totaling \$66 million. For the six-month period ended June 30, 2012, PacifiCorp received net cash payments for income taxes from MEHC totaling \$170 million.

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 consolidated financial condition and results of operations of PacifiCorp during the periods included herein. Explanations include management's best estimate of the impacts of weather, customer growth and other factors. This discussion should be read in conjunction with PacifiCorp's historical unaudited Consolidated Financial Statements and Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q. PacifiCorp's actual results in the future could differ significantly from the historical results.

Results of Operations for the Second Quarter and First Six Months of 2013 and 2012

Overview

Net income for the second quarter of 2013 was \$166 million, an increase of \$36 million, or 28%, as compared to 2012. Net income increased primarily due to higher retail prices approved by regulators, lower operations and maintenance expense, higher retail customer load, and higher wholesale electricity revenue, partially offset by higher energy costs, lower REC revenue, higher income tax expense, and higher depreciation and amortization expense. Retail customer load increased 2% in the second quarter of 2013 compared to 2012 primarily due to higher industrial, irrigation and commercial customer usage, partially offset by lower residential customer usage. Energy generated increased 7% in the second quarter of 2013 compared to 2012 due to higher coal-fueled generation, partially offset by lower hydroelectric generation.

Net income for the six months of 2013 was \$326 million, an increase of \$45 million, or 16%, as compared to 2012. Net income increased primarily due to higher retail prices approved by regulators, higher retail customer load and lower operations and maintenance expense, partially offset by lower REC revenue, higher energy costs, higher income tax expense and higher depreciation and amortization expense. Retail load increased 2% in the first six months of 2013 compared to 2012 due to higher commercial, industrial and irrigation customer usage and the impacts of colder weather in the first quarter of 2013, partially offset by lower residential customer usage. Energy generated was flat for the first six months of 2013 compared to 2012 due to higher coal-fueled generation offset by lower hydroelectric generation, lower natural gas-fueled generation and lower wind-powered generation.

Operating revenue and energy costs are the key drivers of PacifiCorp's results of operations as they encompass retail and wholesale electricity revenue and the direct costs associated with providing electricity to customers. PacifiCorp believes that a discussion of gross margin, representing operating revenue less energy costs, is therefore meaningful.

A comparison of PacifiCorp's key operating results is as follows:

	Second Quarter				First Six Months			
	2013	2012	Change		2013	2012	Change	
Gross margin (in millions):								
Operating revenue	\$ 1,215	\$ 1,153	\$ 62	5 %	\$ 2,447	\$ 2,344	\$ 103	4 %
Energy costs	428	404	24	6	881	849	32	4
Gross margin	<u>\$ 787</u>	<u>\$ 749</u>	<u>\$ 38</u>	5	<u>\$ 1,566</u>	<u>\$ 1,495</u>	<u>\$ 71</u>	5
Sales (GWh):								
Residential	3,327	3,399	(72)	(2)%	7,846	7,798	48	1 %
Commercial	4,146	4,086	60	1	8,276	8,109	167	2
Industrial and irrigation	5,662	5,397	265	5	10,632	10,363	269	3
Other	107	115	(8)	(7)	220	208	12	6
Total retail	13,242	12,997	245	2	26,974	26,478	496	2
Wholesale	2,212	2,586	(374)	(14)	4,810	5,907	(1,097)	(19)
Total sales	<u>15,454</u>	<u>15,583</u>	<u>(129)</u>	(1)	<u>31,784</u>	<u>32,385</u>	<u>(601)</u>	(2)
Average number of retail customers (in thousands)	1,764	1,751	13	1 %	1,764	1,751	13	1 %
Average revenue per MWh:								
Retail	\$ 83.05	\$ 79.07	\$ 3.98	5 %	\$ 81.85	\$ 77.75	\$ 4.10	5 %
Wholesale	\$ 30.50	\$ 21.65	\$ 8.85	41 %	\$ 29.93	\$ 24.62	\$ 5.31	22 %
Sources of energy (GWh)⁽¹⁾:								
Coal	10,536	9,295	1,241	13 %	21,244	20,053	1,191	6 %
Natural gas	1,474	1,564	(90)	(6)	3,277	3,653	(376)	(10)
Hydroelectric ⁽²⁾	990	1,183	(193)	(16)	1,928	2,601	(673)	(26)
Wind and other ⁽²⁾	773	790	(17)	(2)	1,770	1,871	(101)	(5)
Total energy generated	13,773	12,832	941	7	28,219	28,178	41	—
Energy purchased	2,732	3,765	(1,033)	(27)	5,842	6,512	(670)	(10)
Total	<u>16,505</u>	<u>16,597</u>	<u>(92)</u>	(1)	<u>34,061</u>	<u>34,690</u>	<u>(629)</u>	(2)
Average cost of energy per MWh:								
Energy generated ⁽³⁾	\$ 18.12	\$ 19.15	\$ (1.03)	(5)%	\$ 18.10	\$ 18.56	\$ (0.46)	(2)%
Energy purchased	\$ 49.81	\$ 32.85	\$ 16.96	52 %	\$ 50.31	\$ 38.50	\$ 11.81	31 %

(1) GWh amounts are net of energy used by the related generating facilities.

(2) All or some of the renewable energy attributes associated with generation from these generating facilities may be: (a) used in future years to comply with RPS or other regulatory requirements or (b) sold to third parties in the form of RECs or other environmental commodities.

(3) The average cost per MWh of energy generated includes the cost of fuel associated with the generating facilities and does not include other operating costs.

Gross margin increased \$38 million, or 5%, for the second quarter of 2013 compared to 2012 primarily due to:

- \$57 million of increases substantially due to higher retail prices approved by regulators;
- \$28 million of lower average unit cost of natural gas;
- \$15 million of higher retail customer load due to higher commercial, industrial and irrigation customer usage, partially offset by lower residential customer usage; and
- \$12 million of higher wholesale electricity revenue due to higher average market prices of \$19 million, partially offset by lower volumes of \$7 million.

The increase in gross margin was partially offset by:

- \$32 million of higher coal costs due to increased generation and higher unit costs;
- \$22 million of lower REC revenue primarily due to lower volumes;
- \$12 million of higher purchased electricity due to higher average market prices of \$50 million and lower gains on electricity swaps of \$10 million, partially offset by decreased volumes of \$48 million; and
- \$11 million of lower net deferrals of incurred power costs in accordance with established adjustment mechanisms.

Operations and maintenance decreased \$33 million, or 11%, for the second quarter of 2013 compared to 2012 due to charges, primarily in 2012, related to the USA Power litigation and certain fire and other damage claims of \$24 million and lower maintenance expense.

Depreciation and amortization increased \$9 million, or 6%, for the second quarter of 2013 compared to 2012 primarily due to higher plant in service and accelerated depreciation rates in Oregon for the Carbon coal-fueled generating facility expected to be retired in 2015.

Income tax expense increased \$23 million, or 48%, for the second quarter of 2013 compared to 2012 and the effective tax rates were 30% and 27% for 2013 and 2012, respectively. The increase in PacifiCorp's effective tax rate was primarily due to higher pre-tax book income, which reduced the effective tax rate impact of income tax benefits.

Gross margin increased \$71 million, or 5%, for the first six months of 2013 compared to 2012 primarily due to:

- \$114 million of increases substantially due to higher retail prices approved by regulators;
- \$45 million of lower natural gas costs due to lower average unit cost of \$39 million and reduced generation of \$6 million; and
- \$35 million of higher retail customer load due to higher commercial customer usage, higher industrial customer usage primarily in the eastern portion of PacifiCorp's service territory, higher irrigation customer usage and higher residential customer load due to colder weather in the first quarter of 2013, partially offset by lower residential customer usage.

The increase in gross margin was partially offset by:

- \$46 million of lower REC revenue primarily due to lower volumes;
- \$43 million of higher purchased electricity due to higher average market prices of \$51 million and lower gains on electricity swaps of \$21 million, partially offset by decreased volumes of \$29 million;
- \$33 million of higher coal costs due to increased generation of \$18 million and higher unit costs of \$15 million;
- \$7 million of lower net deferrals of incurred power costs in accordance with established adjustment mechanisms; and
- \$1 million of lower wholesale electricity revenue due to lower volumes of \$27 million offset by higher average market prices of \$26 million.

Operations and maintenance decreased \$31 million, or 5%, for the first six months of 2013 compared to 2012 due to charges, primarily in 2012, related to the USA Power litigation and certain fire and other damage claims of \$23 million and lower maintenance expense.

Depreciation and amortization increased \$20 million, or 6%, for the first six months of 2013 compared to 2012 primarily due to higher plant in service and accelerated depreciation rates in Oregon for the Carbon coal-fueled generating facility expected to be retired in 2015.

Income tax expense increased \$33 million, or 31%, for the first six months of 2013 compared to 2012 and the effective tax rates were 30% and 27% for 2013 and 2012, respectively. The increase in PacifiCorp's effective tax rate was primarily due to higher pre-tax book income, which reduced the effective tax rate impact of income tax benefits.

Liquidity and Capital Resources

As of June 30, 2013, PacifiCorp's total net liquidity was \$998 million and the components were as follows (in millions):

Cash and cash equivalents	\$ 119
Available unsecured revolving credit facilities ⁽¹⁾	1,200
Less:	
Short-term debt	—
Letters of credit and tax-exempt bond support	(321)
Net revolving credit facilities available	<u>879</u>
Total net liquidity	<u>\$ 998</u>
Unsecured revolving credit facilities:	
Maturity dates	<u>2017, 2018</u>
Largest single bank commitment as a % of total	<u>7%</u>

- (1) For further discussion regarding PacifiCorp's credit facilities, refer to Note 4 of Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q and Note 6 of Notes to Consolidated Financial Statements in Item 8 of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012.

Operating Activities

Net cash flows from operating activities for the six-month periods ended June 30, 2013 and 2012 were \$831 million and \$882 million, respectively. The \$51 million decrease was primarily due to cash paid for income taxes in the current year versus cash received for income taxes in the prior year, primarily due to the effects of lower bonus depreciation, and lower REC sales, partially offset by higher collections from retail customers due to higher prices approved by regulators and increased retail customer load and lower fuel costs.

Investing Activities

Net cash flows from investing activities for the six-month periods ended June 30, 2013 and 2012 were \$(512) million and \$(734) million, respectively. Capital expenditures decreased \$203 million and consisted of the following during the six-month periods ended June 30 and exclude amounts for non-cash equity AFUDC and other non-cash items:

2013:

- Transmission system investments totaling \$121 million, including construction costs for the 100-mile high-voltage Mona-Oquirrh ("Mona-Oquirrh") transmission line that was placed in service in May 2013 and the 170-mile single-circuit 345-kV Sigurd-Red Butte ("Sigurd-Red Butte") transmission line expected to be placed in service in 2015.
- The construction of the Lake Side 2 645-MW combined-cycle combustion turbine natural gas-fueled generating facility ("Lake Side 2") totaling \$80 million, which is expected to be placed in service in 2014.
- Emissions control equipment on existing generating facilities totaling \$20 million for installation or upgrade of sulfur dioxide scrubbers, low nitrogen oxide burners and particulate matter control systems.
- Distribution, generation, mining and other infrastructure needed to serve existing and expected demand totaling \$297 million.

2012:

- Transmission system investments totaling \$179 million, including construction costs for the Mona-Oquirrh transmission line.
- The development and construction of Lake Side 2 totaling \$123 million.
- Emissions control equipment on existing generating facilities totaling \$50 million for installation or upgrade of sulfur dioxide scrubbers, low nitrogen oxide burners and particulate matter control systems.
- Distribution, generation, mining and other infrastructure needed to serve existing and expected demand totaling \$369 million.

Financing Activities

Net cash flows from financing activities for the six-month period ended June 30, 2013 were \$(280) million. Uses of cash totaled \$579 million and consisted substantially of \$500 million for common stock dividends paid to PPW Holdings and \$68 million for the repayment of long-term debt. Sources of cash totaled \$299 million and consisted of proceeds from the issuance of long-term debt.

Net cash flows from financing activities for the six-month period ended June 30, 2012 were \$(88) million. Uses of cash totaled \$837 million and consisted substantially of \$688 million for the net repayment of short-term debt, \$90 million for the repayment of long-term debt and \$50 million for common stock dividends paid to PPW Holdings. Sources of cash totaled \$749 million and consisted of proceeds from the issuance of long-term debt.

Long-term Debt

In June 2013, PacifiCorp issued \$300 million of its 2.95% First Mortgage Bonds due June 2023. The net proceeds are being used to fund capital expenditures and for general corporate purposes, including a portion of the common stock dividend paid to PPW Holdings in June 2013.

PacifiCorp currently has regulatory authority from the OPUC and the IPUC to issue an additional \$550 million of long-term debt. PacifiCorp must make a notice filing with the WUTC prior to any future issuance.

Preferred Stock

In May 2013, PacifiCorp redeemed and canceled the remaining shares of its \$100 stated value 5.00% Serial Preferred Stock at the redemption price of \$100 per share plus accrued and unpaid dividends.

Future Uses of Cash

PacifiCorp has available a variety of sources of liquidity and capital resources, both internal and external, including net cash flows from operating activities, public and private debt offerings, the issuance of commercial paper, the use of unsecured revolving credit facilities, capital contributions and other sources. These sources are expected to provide funds required for current operations, capital expenditures, debt retirements and other capital requirements. The availability and terms under which PacifiCorp has access to external financing depends on a variety of factors, including PacifiCorp's credit ratings, investors' judgment of risk and conditions in the overall capital market, including the condition of the utility industry.

Capital Expenditures

PacifiCorp has significant future capital requirements. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of these reviews, which may consider, among other factors, changes in environmental and other rules and regulations; impacts to customers' rates; outcomes of regulatory proceedings; changes in income tax laws; general business conditions; load projections; system reliability standards; the cost and efficiency of construction labor, equipment and materials; commodity prices; and the cost and availability of capital. Prudently incurred expenditures for compliance-related items, such as pollution-control technologies, replacement generation, hydroelectric relicensing, hydroelectric decommissioning and associated operating costs are generally incorporated into PacifiCorp's rates.

Forecasted capital expenditures, which exclude amounts for non-cash equity AFUDC and other non-cash items, are approximately \$1.1 billion for the year ended December 31, 2013 and include the following:

- \$265 million for transmission system investments, including projects for the Energy Gateway Transmission Expansion Program, which includes construction costs of \$123 million for the Sigurd-Red Butte transmission line, \$54 million for the Mona-Oquirrh transmission line that was placed in service in May 2013 and \$40 million for other segments that are expected to be placed in service over the next several years, depending on siting, permitting and construction schedules.
- \$203 million for generation development projects, including \$157 million for construction of Lake Side 2, which is expected to be placed in service in 2014.
- \$72 million for environmental projects, which includes emissions control equipment to meet air quality and visibility targets, including the reduction of sulfur dioxide, nitrogen oxides and particulate matter emissions. This estimate includes the installation of new or the replacement of existing emissions control equipment at a number of units at several of PacifiCorp's coal-fueled generating facilities, including Hunter Unit 1 and Jim Bridger Units 3 and 4.
- Remaining amounts are for ongoing investments in distribution, generation, mining and other infrastructure needed to serve existing and expected demand.

Integrated Resource Plan

As required by certain state regulations, PacifiCorp uses an IRP to develop a long-term view of prudent future actions required to help ensure that PacifiCorp continues to provide reliable and cost-effective electric service to its customers while maintaining compliance with existing and evolving environmental laws and regulations. The IRP process identifies the amount and timing of PacifiCorp's expected future resource needs and an associated optimal future resource mix that accounts for planning uncertainty, risks, reliability impacts, state energy policies and other factors. The IRP is a coordinated effort with stakeholders in each of the six states where PacifiCorp operates. PacifiCorp files its IRP on a biennial basis and receives a formal notification in five states as to whether the IRP meets the commission's IRP standards and guidelines, which is referred to as "acknowledgment." In April 2013, PacifiCorp filed its 2013 IRP with the state commissions.

Contractual Obligations

As of June 30, 2013, there have been no material changes outside the normal course of business in contractual obligations from the information provided in Item 7 of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012 other than the 2013 debt issuance and capital expenditure matters previously discussed.

Regulatory Matters

PacifiCorp is subject to comprehensive regulation. The discussion below contains material developments to those matters disclosed in Item 7 of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012, and new regulatory matters occurring in 2013.

State Regulatory Matters

Utah

In March 2013, PacifiCorp filed its annual EBA with the UPSC requesting recovery of \$17 million over a two-year period for 70% of the net power costs in excess of amounts included in base rates for the period January 1, 2012 through December 31, 2012. If approved by the UPSC, the new rates will be effective November 2013.

In March 2013, PacifiCorp filed with the UPSC to return \$3 million to customers through the REC balancing account. In May 2013, the UPSC issued an order approving the new rates as filed effective June 2013 on an interim basis until a final order is issued by the UPSC.

Oregon

In March 2013, PacifiCorp filed a general rate case with the OPUC requesting an annual increase of \$56 million, or an average price increase of 5%. The request was reduced to \$45 million, or an average price increase of 4%, as a result of the OPUC's approval of a separate tariff rider for the Mona-Oquirrh transmission line that was effective June 1, 2013. PacifiCorp's general rate case filing also included a request for a separate tariff rider for Lake Side 2. In July 2013, a multi-party stipulation was filed with the OPUC resolving all issues in the general rate case. The stipulation provides for an annual increase of \$24 million, or an average price increase of 2%, effective January 2014. The stipulation also provides for the implementation of a separate tariff rider for Lake Side 2 when placed into service in mid-2014 with the ultimate costs subject to a prudence determination. In addition, the stipulation specifies that January 2016 is the earliest effective date that PacifiCorp could seek any additional increase to customers' base rates through a general rate case. The stipulation is subject to approval by the OPUC. The OPUC is expected to issue a decision no later than December 2013.

In July 2013, PacifiCorp filed a multi-party stipulation with the OPUC to implement the depreciation rates presented in PacifiCorp's most recent depreciation study filed in January 2013 with certain adjustments agreed to by all parties. The impact of the revised depreciation rates is reflected in the increase in base rates stipulated to by parties in the general rate case proceeding.

Wyoming

In March 2013, PacifiCorp filed its annual ECAM and RRA applications with the WPSC. The ECAM filing requests recovery of \$18 million in deferred net power costs for the period January 1, 2012 to December 31, 2012 to be recovered over three years at \$6 million per year pursuant to the settlement agreement in the 2012 ECAM case, which would result in a 1% increase in rates. The RRA filing requests a \$15 million reduction in the RRA surcredit, or an increase in rates of 2%. In May 2013, the WPSC approved the ECAM and RRA on an interim basis subject to further investigation and a hearing scheduled for September 2013.

Washington

In December 2012, PacifiCorp filed for judicial review of the WUTC's August and November 2012 orders regarding proceeds from the sales of RECs on or after January 1, 2009. In February 2013, PacifiCorp, WUTC staff and intervening parties submitted a joint filing with the WUTC proposing a tracking mechanism for REC sales revenues. In March 2013, the WUTC issued a notice stating that the February 2013 joint filing failed to comply with the WUTC's orders, primarily requiring PacifiCorp and other parties to clarify the period over which amortization of historical REC revenues (revenues from January 1, 2009 through April 2, 2011) will occur. In March 2013, PacifiCorp filed a response to the WUTC notice requesting that the WUTC not require amortization of historical REC revenues until after resolution of the pending judicial review of the WUTC's orders. WUTC staff and intervening parties submitted a joint response to the WUTC notice requesting the amortization of historical REC revenues begin on May 1, 2013 and be distributed as a one-time credit or amortized over one year. No action has been taken with regard to the parties' responses to the WUTC's notice, and judicial review of the WUTC's orders remains pending.

Idaho

In February 2013, PacifiCorp filed its annual ECAM application with the IPUC requesting recovery of \$16 million of deferred net power costs, of which \$9 million will be collected over a one-year period and the remainder collected over a three-year period. In March 2013, the IPUC approved the new rates, which became effective April 2013.

In June 2013, PacifiCorp filed a multi-party stipulation with the IPUC that would increase base rates \$2 million effective January 2014, allow the deferral of any removal costs incurred associated with the retirement of the Carbon coal-fueled generating facility with timing of recovery to be determined in a future proceeding and implement depreciation rates reflected in the depreciation study that is pending IPUC approval. In addition, a resource adder to provide a means for recovery of costs associated with Lake Side 2 would be included in the ECAM effective January 2015 for \$5 million annually. This deferral would continue until Lake Side 2 is included in base rates. The stipulation also specifies that January 2016 is the earliest effective date that PacifiCorp could seek any additional increase to customers' base rates. The stipulation is subject to approval by the IPUC. Hearings are scheduled for August and September 2013 with a decision expected shortly thereafter.

California

In June 2013, PacifiCorp filed for a rate increase of \$1 million, or 1%, pursuant to its PTAM for major capital additions to add Mona-Oquirrh to rates. In July 2013, the CPUC approved the rate increase effective July 2013.

FERC

As a result of a 2007 multi-party settlement with the FERC regarding long-term shared usage, coordinated operation and maintenance, and planning of certain 500-kV transmission lines, PacifiCorp agreed to file a Federal Power Act Section 205 rate change filing for its system-wide transmission service rates no later than June 1, 2011. In May 2011, PacifiCorp filed its Federal Power Act Section 205 rate case seeking to modify its transmission and ancillary services rates and to adopt a formula transmission rate. In August 2011, the FERC issued an order accepting PacifiCorp's filing and allowing the proposed rates to become effective December 25, 2011, subject to refund. Billing using the new rates commenced in early 2012. The FERC established settlement proceedings to encourage the parties to reach agreement on final rates. In February 2013, agreement with the parties was reached and PacifiCorp filed a settlement agreement with the FERC resolving all issues in the transmission rate case. The settlement agreement includes modifications to the formula used to determine transmission rates. The FERC approved interim rates for real power loss factors and certain ancillary services to be effective March 1, 2013 and for a new reactive power service rate to be effective May 1, 2013. In May 2013, the FERC approved PacifiCorp's settlement agreement resolving all issues for the transmission rate case. The transmission rates will continue to be updated every June according to the formula rate process.

Environmental Laws and Regulations

PacifiCorp is subject to federal, state and local laws and regulations regarding air and water quality, RPS, emissions performance standards, climate change, coal combustion byproduct disposal, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact PacifiCorp's current and future operations. In addition to imposing continuing compliance obligations, these laws and regulations provide regulators with the authority to levy substantial penalties for noncompliance including fines, injunctive relief and other sanctions. These laws and regulations are administered by the EPA and various other state and local agencies. All such laws and regulations are subject to a range of interpretation, which may ultimately be resolved by the courts. Environmental laws and regulations continue to evolve, and PacifiCorp is unable to predict the impact of the changing laws and regulations on its operations and consolidated financial results. PacifiCorp believes it is in material compliance with all applicable laws and regulations. Refer to "Liquidity and Capital Resources" for discussion of PacifiCorp's forecasted environmental-related capital expenditures. The discussion below contains material developments to those matters disclosed in Item 7 of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012.

Regional Haze

The EPA has initiated a regional haze program intended to improve visibility in designated federally protected areas ("Class I areas"). Some of PacifiCorp's coal-fueled generating facilities in Utah, Wyoming and Arizona are subject to the Clean Air Visibility Rules. In accordance with the federal requirements, states are required to submit SIPs that address emissions from sources subject to best available retrofit technology ("BART") requirements and demonstrate progress towards achieving natural visibility requirements in Class I areas by 2064.

The state of Utah issued a regional haze SIP requiring the installation of sulfur dioxide, nitrogen oxides and particulate matter controls on Hunter Units 1 and 2, and Huntington Units 1 and 2. In December 2012, the EPA approved the sulfur dioxide portion of the Utah regional haze SIP and disapproved the nitrogen oxides and particulate matter portions. Certain groups have appealed the EPA's approval of the sulfur dioxide portion. The state of Utah and PacifiCorp filed petitions for review of the EPA's final rule on the BART determinations in Utah's regional haze SIP in March 2013. In addition, and separate from the EPA's approval process and related litigation, the Utah Division of Air Quality is undertaking an additional BART analysis for Hunter Units 1 and 2, and Huntington Units 1 and 2, which will be provided to the EPA as a supplement to the existing Utah SIP. It is unknown whether and how this supplemental analysis will impact the EPA's decision regarding the existing SIP.

The state of Wyoming issued two regional haze SIPs requiring the installation of sulfur dioxide, nitrogen oxides and particulate matter controls on certain PacifiCorp coal-fueled generating facilities in Wyoming. The EPA approved the sulfur dioxide SIP in December 2012, but initially proposed in June 2012 to disapprove portions of the nitrogen oxides and particulate matter SIP and instead issue a FIP. The EPA withdrew its initial proposed actions on the nitrogen oxides and particulate matter SIP and the proposed FIP, and in June 2013, published a re-proposed rule to disapprove portions of the SIP and instead issue a FIP. The EPA proposed to approve the installation of selective catalytic reduction equipment at Jim Bridger Unit 3 by December 31, 2015; to approve the installation of selective catalytic reduction equipment at Jim Bridger Unit 4 by December 31, 2016; to approve the installation of selective catalytic reduction equipment at Jim Bridger Unit 2 by December 31, 2021; to approve the installation of selective catalytic reduction equipment at Jim Bridger Unit 1 by December 31, 2022; and to approve the installation of selective catalytic reduction equipment and a baghouse at Naughton Unit 3 by December 31, 2014. However, the EPA is also taking comment on PacifiCorp's planned conversion of Naughton Unit 3 to natural gas. Until the EPA approves the natural gas conversion PacifiCorp remains under an obligation to comply with the SIP. The EPA also proposed to reject the SIP for the Wyodak facility, Naughton Units 1 and 2 and Dave Johnston Units 3 and 4; and to require within five years, the installation of selective non-catalytic reduction equipment at the Wyodak facility and Dave Johnston Unit 4, and selective catalytic reduction equipment at Naughton Units 1 and 2 and Dave Johnston Unit 3. The EPA also proposed to require the installation of low-nitrogen oxides burners and overfire air systems at Dave Johnston Units 1 and 2 by July 31, 2018. The EPA held three public hearings in June and July 2013, and the public comment period is scheduled to close August 26, 2013. The EPA is under a consent decree entered into with environmental groups to take final action on its proposed action by November 2013. In the meantime, certain groups have appealed the EPA's approval of the sulfur dioxide SIP, and PacifiCorp has intervened in that appeal.

The state of Arizona issued a regional haze SIP requiring, among other things, the installation of sulfur dioxide, nitrogen oxides and particulate matter controls on Cholla Unit 4. The EPA approved in part, and disapproved in part, the Arizona SIP and issued a FIP for the disapproved portions. PacifiCorp filed an appeal in the United States Court of Appeals for the Ninth Circuit ("Ninth Circuit") regarding the FIP as it relates to Cholla Unit 4, and the Arizona Department of Environmental Quality and other affected Arizona utilities filed separate appeals of the FIP as it relates to their interests. The Ninth Circuit has not made any decisions in regard to these appeals. In April 2013, the EPA granted in part PacifiCorp's February 2013 petition for reconsideration relating to the compliance methodology for nitrogen oxides at Cholla Unit 4. The EPA plans to publish a notice of proposed rulemaking seeking comment on an alternative compliance methodology for nitrogen oxides at Cholla Unit 4, and PacifiCorp will have an opportunity to submit comments on that methodology.

A case is pending before the United States Court of Appeals for the Tenth Circuit ("Tenth Circuit") with regard to a similar appeal of a FIP issued by the EPA in New Mexico. The Tenth Circuit recently issued a ruling on an appeal of a FIP issued by the EPA rejecting portions of the Oklahoma SIP, denying the state's and utility's challenge.

Until the EPA takes final action in each state and decisions have been made on each appeal, PacifiCorp cannot fully determine the impacts of the Regional Haze regulation on its generating facilities.

Climate Change

In April 2012, the EPA proposed New Source Performance Standards for GHG at new fossil-fueled generating facilities at an emissions rate of 1,000 pounds per MWh, which are expected to be finalized in 2013. The EPA is also under a consent decree to establish GHG emissions performance standards for existing and modified sources.

GHG New Source Performance Standards

Under the Clean Air Act, the EPA may establish emissions standards that reflect the degree of emissions reductions achievable through the best technology that has been demonstrated, taking into consideration the cost of achieving those reductions and any non-air quality health and environmental impact and energy requirements. The EPA entered into a settlement agreement with a number of parties, including certain state governments and environmental groups, in December 2010 to promulgate emissions standards covering GHG. In April 2012, the EPA proposed new source performance standards for new fossil-fueled generating facilities that would limit emissions of carbon dioxide to 1,000 pounds per MWh. The April 2012 proposal exempted simple cycle combustion turbines from meeting the GHG standards. In June 2013, the President announced a national climate change strategy and issued a presidential memorandum requiring the EPA to issue a re-proposed GHG new source performance standard for fossil-fueled generating facilities by September 2013. Any new fossil-fueled generating facilities constructed by PacifiCorp will be required to meet the final GHG new source performance standards. The presidential memorandum also requires the EPA to propose standards or guidelines for existing and modified fossil-fueled generating facilities by June 2014, to finalize those standards or guidelines by June 2015, and to require states to submit SIPs that comply with those standards or guidelines by June 2016. Until the standards or guidelines for existing, modified or reconstructed units are proposed and finalized, the impact on PacifiCorp's existing facilities cannot be determined.

Regional and State Activities

Over the past several years, the states of California, Washington and Oregon have adopted GHG emissions performance standards for base load electricity generating resources. Under the laws in California and Oregon, the emissions performance standards provide that emissions must not exceed 1,100 pounds of carbon dioxide per MWh. Effective April 2013, Washington's amended emissions performance standards provide that GHG emissions for base load electricity generating resources must not exceed 970 pounds of carbon dioxide per MWh. These GHG emissions performance standards generally prohibit electric utilities from entering into long-term financial commitments (e.g., new ownership investments, upgrades, or new or renewed contracts with a term of five or more years) unless any base load generation supplied under long-term financial commitments comply with the GHG emissions performance standards.

GHG Litigation

In October 2009, the United States District Court for the Northern District of California ("Northern District of California") granted the defendants' motions to dismiss in the case of *Native Village of Kivalina v. ExxonMobil Corporation, et al.* The plaintiffs filed their complaint in February 2008, asserting claims against 24 defendants, including electric generating companies, oil companies and a coal company, for public nuisance under state and federal common law based on the defendants' GHG emissions. The Northern District of California dismissed all of the plaintiffs' federal claims, holding that the court lacked subject matter jurisdiction to hear the claims under the political question doctrine, and that the plaintiffs lacked standing to bring their claims. The Northern District of California declined to hear the state law claims and the case was dismissed without prejudice to their future presentation in an appropriate state court. In November 2009, the plaintiffs appealed the case to the Ninth Circuit. In September 2012, the Ninth Circuit issued its opinion affirming the Northern District of California's dismissal of the plaintiffs' complaint. The Ninth Circuit held that the Clean Air Act displaced the plaintiffs' federal common law claims. In October 2012, the plaintiffs filed a petition for a full rehearing by the Ninth Circuit, which was denied by the Ninth Circuit in November 2012. In February 2013, the plaintiffs filed a petition with the United States Supreme Court to review the Ninth Circuit's decision. In May 2013, the United States Supreme Court denied the petition.

Collateral and Contingent Features

Debt and preferred securities of PacifiCorp are rated by credit rating agencies. Assigned credit ratings are based on each rating agency's assessment of PacifiCorp's ability to, in general, meet the obligations of its issued debt or preferred securities. The credit ratings are not a recommendation to buy, sell or hold securities, and there is no assurance that a particular credit rating will continue for any given period of time. As of June 30, 2013, PacifiCorp's credit ratings for its senior secured and senior unsecured debt from the three recognized credit rating agencies were investment grade.

PacifiCorp has no credit rating downgrade triggers that would accelerate the maturity dates of outstanding debt and a change in ratings is not an event of default under the applicable debt instruments. PacifiCorp's unsecured revolving credit facilities do not require the maintenance of a minimum credit rating level in order to draw upon their availability. However, commitment fees and interest rates under the credit facilities are tied to credit ratings and increase or decrease when the ratings change. A ratings downgrade could also increase the future cost of commercial paper, short- and long-term debt issuances or new credit facilities. Certain authorizations or exemptions by regulatory commissions for the issuance of securities are valid as long as PacifiCorp maintains investment grade ratings on senior secured debt. A downgrade below that level would necessitate new regulatory applications and approvals.

In accordance with industry practice, certain wholesale agreements, including derivative contracts, contain provisions that require PacifiCorp to maintain specific credit ratings on its unsecured debt from one or more of the three recognized credit rating agencies. These agreements may either specifically provide bilateral rights to demand cash or other security if credit exposures on a net basis exceed specified rating-dependent threshold levels ("credit-risk-related contingent features") or provide the right for counterparties to demand "adequate assurance" in the event of a material adverse change in PacifiCorp's creditworthiness. These rights can vary by contract and by counterparty. If all credit-risk-related contingent features or adequate assurance provisions for these agreements had been triggered as of June 30, 2013, PacifiCorp would have been required to post \$208 million of additional collateral. PacifiCorp's collateral requirements could fluctuate considerably due to market price volatility, changes in credit ratings, changes in legislation or regulation, or other factors. Refer to Note 6 of Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q for a discussion of PacifiCorp's collateral requirements specific to PacifiCorp's derivative contracts.

New Accounting Pronouncements

For a discussion of new accounting pronouncements affecting PacifiCorp, refer to Note 2 of Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q.

Critical Accounting Estimates

Certain accounting measurements require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized on the Consolidated Financial Statements based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty and will likely change in the future as additional information becomes available. Estimates are used for, but not limited to, the accounting for the effects of certain types of regulation, derivatives, pension and other postretirement benefits, income taxes and revenue recognition - unbilled revenue. For additional discussion of PacifiCorp's critical accounting estimates, see Item 7 of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012. There have been no significant changes in PacifiCorp's assumptions regarding critical accounting estimates since December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting PacifiCorp, see Item 7A of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012. PacifiCorp's exposure to market risk and its management of such risk has not changed materially since December 31, 2012. Refer to Note 6 of Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q for disclosure of PacifiCorp's derivative positions as of June 30, 2013.

Item 4. Controls and Procedures

At the end of the period covered by this Quarterly Report on Form 10-Q, PacifiCorp carried out an evaluation, under the supervision and with the participation of PacifiCorp's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of PacifiCorp's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, PacifiCorp's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), concluded that PacifiCorp's disclosure controls and procedures were effective to ensure that information required to be disclosed by PacifiCorp in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including PacifiCorp's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There has been no change in PacifiCorp's internal control over financial reporting during the quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, PacifiCorp's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

For a description of certain legal proceedings affecting PacifiCorp, refer to Note 8 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There has been no material change to PacifiCorp's risk factors from those disclosed in Item 1A of PacifiCorp's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Information regarding PacifiCorp's mine safety violations and other legal matters disclosed in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is included in Exhibit 95 to this Form 10-Q.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits listed on the accompanying Exhibit Index are filed as part of this Quarterly Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PACIFICORP

(Registrant)

Date: August 2, 2013

/s/ Douglas K. Stuver

Douglas K. Stuver

Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
4.1*	Twenty-Sixth Supplemental Indenture, dated as of June 1, 2013, to PacifiCorp's Mortgage and Deed of Trust dated as of January 9, 1989 (Exhibit 4.1, Current Report on Form 8-K, filed June 6, 2013, File No. 1-5152).
15	Awareness Letter of Independent Registered Public Accounting Firm.
31.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Disclosures Required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.
101	The following financial information from PacifiCorp's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 is formatted in XBRL (eXtensible Business Reporting Language) and included herein: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements, tagged in summary and detail.

*Incorporated herein by reference.

August 2, 2013

PacifiCorp
Portland, Oregon

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited consolidated interim financial information of PacifiCorp and subsidiaries for the periods ended June 30, 2013 and 2012, as indicated in our report dated August 2, 2013; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, is incorporated by reference in Registration Statement No. 333-170954 on Form S-3ASR.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Portland, Oregon

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PacifiCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ Gregory E. Abel

Gregory E. Abel

Chairman of the Board of Directors and Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Douglas K. Stuver, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PacifiCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ Douglas K. Stuver

Douglas K. Stuver

Senior Vice President and Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, Chairman of the Board of Directors and Chief Executive Officer of PacifiCorp, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2013

/s/ Gregory E. Abel

Gregory E. Abel

Chairman of the Board of Directors and Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Douglas K. Stuver, Senior Vice President and Chief Financial Officer of PacifiCorp, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2013

/s/ Douglas K. Stuver

Douglas K. Stuver

Senior Vice President and Chief Financial Officer
(principal financial officer)

**MINE SAFETY VIOLATIONS AND OTHER LEGAL MATTER DISCLOSURES
PURSUANT TO SECTION 1503(a) OF THE DODD-FRANK WALL STREET
REFORM AND CONSUMER PROTECTION ACT**

PacifiCorp and its subsidiaries operate certain coal mines and coal processing facilities (collectively, the "mining facilities") that are regulated by the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act"). MSHA inspects PacifiCorp's mining facilities on a regular basis. The total number of reportable Mine Safety Act citations, orders, assessments and legal actions for the three-month period ended June 30, 2013 are summarized in the table below and are subject to contest and appeal. The severity and assessment of penalties may be reduced or, in some cases, dismissed through the contest and appeal process. Amounts are reported regardless of whether PacifiCorp has challenged or appealed the matter. Coal reserves that are not yet mined and mines that are closed or idled are not included in the information below as no reportable events occurred at those locations during the three-month period ended June 30, 2013. There were no mining-related fatalities during the three-month period ended June 30, 2013. PacifiCorp has not received any notice of a pattern, or notice of the potential to have a pattern, of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under Section 104(e) of the Mine Safety Act during the three-month period ended June 30, 2013.

	Mine Safety Act					Total Value of Proposed MSHA Assessments (in thousands)	Legal Actions		
	Section 104 Significant and Substantial Citations ⁽¹⁾	Section 104(b) Orders ⁽²⁾	Section 104(d) Citations/ Orders ⁽³⁾	Section 110(b)(2) Violations ⁽⁴⁾	Section 107(a) Imminent Danger Orders ⁽⁵⁾		Pending as of Last Day of Period ⁽⁶⁾	Instituted During Period	Resolved During Period
Deer Creek	3	1	—	—	—	\$ 50	9	7	4
Bridger (surface)	—	—	—	—	—	4	5	2	—
Bridger (underground)	4	—	—	—	—	131	21	3	5
Cottonwood Preparatory Plant	—	—	—	—	—	—	—	—	—
Wyodak Coal Crushing Facility	—	—	—	—	—	—	—	—	—

- (1) Citations for alleged violations of mandatory health and safety standards that could significantly or substantially contribute to the cause and effect of a safety or health hazard under Section 104 of the Mine Safety Act.
- (2) For alleged failure to totally abate the subject matter of a Mine Safety Act Section 104(a) citation within the period specified in the citation.
- (3) For an alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with a mandatory health or safety standard.
- (4) For alleged flagrant violations (i.e., reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury).
- (5) For the existence of any condition or practice in a coal or other mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
- (6) Amounts include 32 contests of proposed penalties under Subpart C, one contest of an order under Subpart B and two labor-related complaints under Subpart E of the Federal Mine Safety and Health Review Commission's procedural rules. The pending legal actions are not exclusive to citations, notices, orders and penalties assessed by MSHA during the reporting period.