

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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 503-813-5645	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 Berkshire Hathaway Energy Company, 666 Grand Avenue, Des Moines, Iowa 50309-2580. As of October 31, 2015, 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

BHE	Berkshire Hathaway Energy Company
PacifiCorp	PacifiCorp and its subsidiaries
PPW Holdings	PPW Holdings LLC, a wholly owned subsidiary of BHE and PacifiCorp's direct parent company
Lake Side 2	631-megawatt combined-cycle combustion turbine natural gas-fueled generating facility

Certain Industry Terms

AFUDC	Allowance for Funds Used During Construction
CPUC	California Public Utilities Commission
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
GWh	Gigawatt Hours
IPUC	Idaho Public Utilities Commission
MWh	Megawatt Hours
OPUC	Oregon Public Utility Commission
REC	Renewable Energy Credit
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, as amended, 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, new technologies and various conservation, energy efficiency and distributed generation measures and programs, that could affect customer growth and usage, electricity supply or PacifiCorp's ability to obtain long-term contracts with customers and suppliers;
- performance, availability and ongoing operation of PacifiCorp's generating facilities, including generating facilities not operated by PacifiCorp, due to the impacts of market conditions, outages and repairs, transmission constraints, weather, including wind and hydroelectric conditions, and operating conditions;
- 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;
- 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;
- 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;
- the effects of catastrophic and other unforeseen events, which may be caused by factors beyond PacifiCorp's control or by a breakdown or failure of PacifiCorp's operating assets, including storms, floods, fires, earthquakes, explosions, landslides, mining accidents, litigation, wars, terrorism and embargoes;
- 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; and
- other business or investment considerations that may be disclosed from time to time in PacifiCorp's filings with the United States Securities and Exchange Commission or in other publicly disseminated written documents.

Further details of the potential risks and uncertainties affecting PacifiCorp are described in its filings with the United States Securities and Exchange Commission, 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 September 30, 2015, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2015 and 2014, and of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2015 and 2014. 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, 2014, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2015, 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, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Portland, Oregon
November 6, 2015

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

ASSETS	As of	
	September 30, 2015	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 47	\$ 23
Accounts receivable, net	748	701
Income taxes receivable	—	133
Inventories:		
Materials and supplies	232	218
Fuel	190	199
Deferred income taxes	42	28
Regulatory assets	110	131
Other current assets	64	92
Total current assets	1,433	1,525
Property, plant and equipment, net	18,945	18,719
Regulatory assets	1,541	1,574
Other assets	428	449
Total assets	\$ 22,347	\$ 22,267

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

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

	As of	
	September 30, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 481	\$ 465
Income taxes payable	117	—
Accrued employee expenses	118	76
Accrued interest	107	110
Accrued property and other taxes	130	59
Short-term debt	—	20
Current portion of long-term debt and capital lease obligations	64	134
Regulatory liabilities	37	34
Other current liabilities	230	222
Total current liabilities	1,284	1,120
Regulatory liabilities	937	910
Long-term debt and capital lease obligations	7,123	6,919
Deferred income taxes	4,652	4,609
Other long-term liabilities	995	953
Total liabilities	14,991	14,511
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock	2	2
Common stock - 750 shares authorized, no par value, 357 shares issued and outstanding	—	—
Additional paid-in capital	4,479	4,479
Retained earnings	2,888	3,288
Accumulated other comprehensive loss, net	(13)	(13)
Total shareholders' equity	7,356	7,756
Total liabilities and shareholders' equity	\$ 22,347	\$ 22,267

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		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2015	2014	2015	2014
Operating revenue	\$ 1,423	\$ 1,438	\$ 3,942	\$ 3,969
Operating costs and expenses:				
Energy costs	491	525	1,404	1,473
Operations and maintenance	260	267	800	781
Depreciation and amortization	188	185	567	541
Taxes, other than income taxes	48	44	138	126
Total operating costs and expenses	987	1,021	2,909	2,921
Operating income	436	417	1,033	1,048
Other income (expense):				
Interest expense	(95)	(94)	(283)	(285)
Allowance for borrowed funds	4	5	14	20
Allowance for equity funds	7	10	26	40
Other, net	2	2	7	7
Total other income (expense)	(82)	(77)	(236)	(218)
Income before income tax expense	354	340	797	830
Income tax expense	109	101	247	252
Net income	\$ 245	\$ 239	\$ 550	\$ 578

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)

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss, Net</u>	<u>Total Shareholders' Equity</u>
Balance, December 31, 2013	\$ 2	\$ —	\$ 4,479	\$ 3,315	\$ (9)	\$ 7,787
Net income	—	—	—	578	—	578
Common stock dividends declared	—	—	—	(725)	—	(725)
Balance, September 30, 2014	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 4,479</u>	<u>\$ 3,168</u>	<u>\$ (9)</u>	<u>\$ 7,640</u>
Balance, December 31, 2014	\$ 2	\$ —	\$ 4,479	\$ 3,288	\$ (13)	\$ 7,756
Net income	—	—	—	550	—	550
Common stock dividends declared	—	—	—	(950)	—	(950)
Balance, September 30, 2015	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 4,479</u>	<u>\$ 2,888</u>	<u>\$ (13)</u>	<u>\$ 7,356</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)

	Nine-Month Periods	
	Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 550	\$ 578
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	567	541
Allowance for equity funds	(26)	(40)
Deferred income taxes and amortization of investment tax credits	32	145
Changes in regulatory assets and liabilities	41	(34)
Other, net	7	18
Changes in other operating assets and liabilities:		
Accounts receivable and other assets	14	22
Derivative collateral, net	(42)	4
Inventories	(3)	29
Income taxes	250	5
Accounts payable and other liabilities	121	89
Net cash flows from operating activities	<u>1,511</u>	<u>1,357</u>
Cash flows from investing activities:		
Capital expenditures	(640)	(777)
Other, net	(8)	—
Net cash flows from investing activities	<u>(648)</u>	<u>(777)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	250	425
Repayments of long-term debt and capital lease obligations	(116)	(213)
Net repayments of short-term debt	(20)	—
Common stock dividends	(950)	(725)
Other, net	(3)	(4)
Net cash flows from financing activities	<u>(839)</u>	<u>(517)</u>
Net change in cash and cash equivalents	24	63
Cash and cash equivalents at beginning of period	23	53
Cash and cash equivalents at end of period	<u>\$ 47</u>	<u>\$ 116</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 utility 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 other utilities, energy marketing companies, financial institutions and other market participants. 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 Berkshire Hathaway Energy Company ("BHE"), a holding company based in Des Moines, Iowa that owns subsidiaries principally engaged in energy businesses. BHE 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 unaudited Consolidated Financial Statements as of September 30, 2015 and for the three- and nine-month periods ended September 30, 2015 and 2014. The results of operations for the three- and nine-month periods ended September 30, 2015 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, 2014 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 nine-month period ended September 30, 2015.

(2) New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, which amends FASB Accounting Standards Codification ("ASC") Subtopic 835-30, "Interest - Imputation of Interest." The amendments in this guidance require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability instead of as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. This guidance must be adopted retrospectively, wherein the balance sheet of each period presented should be adjusted to reflect the new guidance. PacifiCorp is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, which creates FASB ASC Topic 606, "Revenue from Contracts with Customers" and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year to interim and annual reporting periods beginning after December 15, 2017. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. PacifiCorp is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and 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	
		September 30, 2015	December 31, 2014
Property, plant and equipment in-service	5-75 years	\$ 26,593	\$ 25,813
Accumulated depreciation and amortization		(8,410)	(8,026)
Net property, plant and equipment in-service		18,183	17,787
Construction work-in-progress		762	932
Total property, plant and equipment, net		\$ 18,945	\$ 18,719

(4) Regulatory Matters

Utah Mine Disposition

Due to quality issues with the coal reserves at PacifiCorp's Deer Creek mine in Utah and rising costs at PacifiCorp's wholly owned subsidiary, Energy West Mining Company, PacifiCorp believes the Deer Creek coal reserves are no longer able to be economically mined. As a result, in December 2014, PacifiCorp filed applications with the Utah Public Service Commission ("UPSC"), the Oregon Public Utility Commission ("OPUC"), the Wyoming Public Service Commission ("WPSC") and the Idaho Public Utilities Commission ("IPUC") seeking certain approvals, prudence determinations and accounting orders to close its Deer Creek mining operations, sell certain Utah mining assets, enter into a replacement coal supply agreement, amend an existing coal supply agreement, withdraw from the United Mine Workers of America ("UMWA") 1974 Pension Plan and settle PacifiCorp's other postretirement benefit obligation for UMWA participants (collectively, the "Utah Mine Disposition").

In April 2015, PacifiCorp filed all-party settlement stipulations with the UPSC and the WPSC finding that the decision to enter into the Utah Mine Disposition transaction is prudent and in the public interest. The UPSC approved the stipulation in April 2015 and the WPSC approved the stipulation in May 2015. In May 2015, the OPUC issued its final order concluding that the Utah Mine Disposition transaction produces net benefits for customers and is in the public interest. The IPUC also issued an order in May 2015, approving the Utah Mine Disposition and ruling that the decision to enter into the transaction is prudent and in the public interest. Accordingly, in June 2015, PacifiCorp sold the specified Utah mining assets and the replacement and amended coal supply agreements became effective. Refer to Note 10 for discussion of the contractual obligations related to the replacement coal supply agreement. Refer to Note 6 for discussion of the UMWA 1974 Pension Plan withdrawal and the settlement of the other postretirement benefit obligation for UMWA participants. The Deer Creek mine is currently idled and closure activities have begun.

In December 2014, PacifiCorp also filed an advice letter with the California Public Utilities Commission ("CPUC"). In July 2015, the CPUC Energy Division issued a letter requiring PacifiCorp to file a formal application for approval of the sale of certain Utah mining assets. Accordingly, in September 2015, PacifiCorp filed an application with the CPUC.

(5) Recent Financing Transactions

In June 2015, PacifiCorp issued \$250 million of its 3.35% First Mortgage Bonds due July 2025. The net proceeds were used to fund capital expenditures and for general corporate purposes, including retirement of short-term debt.

In March 2015, PacifiCorp obtained \$191 million of letters of credit to support variable-rate tax-exempt bond obligations. These letters of credit expire through March 2017 and replace certain letters of credit previously issued under one of the credit facilities. Also, in March 2015, PacifiCorp arranged for the cancellation of \$23 million of letters of credit previously issued under one of the credit facilities to support variable-rate tax-exempt bond obligations.

As of September 30, 2015, PacifiCorp had \$310 million of fully available letters of credit issued under committed arrangements to support variable-rate tax-exempt bond obligations, of which \$10 million were issued under credit facilities.

(6) Employee Benefit Plans

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

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2015	2014	2015	2014
Pension:				
Service cost	\$ 1	\$ 2	\$ 3	\$ 4
Interest cost	13	14	40	42
Expected return on plan assets	(19)	(19)	(58)	(57)
Net amortization	10	7	31	22
Net periodic benefit cost	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 16</u>	<u>\$ 11</u>
Other postretirement:				
Service cost	\$ —	\$ 1	\$ 2	\$ 4
Interest cost	4	7	12	21
Expected return on plan assets	(5)	(8)	(17)	(23)
Net amortization	(1)	1	(3)	2
Net periodic benefit cost	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ (6)</u>	<u>\$ 4</u>

Employer contributions to the pension and other postretirement benefit plans are expected to be \$4 million and \$1 million, respectively, during 2015. As of September 30, 2015, \$3 million and \$1 million of contributions had been made to the pension and other postretirement benefit plans, respectively.

Utah Mine Disposition and Labor Agreement

In conjunction with the Utah Mine Disposition described in Note 4, in December 2014, Energy West Mining Company reached a labor settlement with the UMWA covering union employees at PacifiCorp's Deer Creek mining operations. As a result of the labor settlement, the UMWA agreed to assume PacifiCorp's other postretirement benefit obligation associated with UMWA plan participants in exchange for PacifiCorp transferring \$150 million to a fund managed by the UMWA. Transfer of the assets and settlement of this obligation occurred in May 2015 and resulted in a remeasurement of the other postretirement plan assets and benefit obligation. As a result of the remeasurement, PacifiCorp recognized a \$9 million settlement loss, with the portion that is probable of recovery deferred as a regulatory asset.

Multiemployer Pension Plan

PacifiCorp's subsidiary, Energy West Mining Company, triggered involuntary withdrawal from the UMWA 1974 Pension Plan in June 2015 when the UMWA employees ceased performing work for PacifiCorp. PacifiCorp recorded its best estimate of the withdrawal obligation in December 2014 when withdrawal was considered probable and deferred the portion of the obligation considered probable of recovery to a regulatory asset.

(7) Asset Retirement Obligations

In December 2014, the United States Environmental Protection Agency released its final rule regulating the management and disposal of coal combustion byproducts resulting from the operation of coal-fueled generating facilities, including requirements for the operation and closure of surface impoundment and ash landfill facilities. The final rule was published in the Federal Register in April 2015 and was effective in October 2015. As of September 30, 2015 and December 31, 2014, PacifiCorp's asset retirement obligations totaled \$222 million and \$135 million, respectively, and the change was substantially due to the impacts of the final rule.

(8) 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 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 9 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
<u>As of September 30, 2015</u>					
Not designated as hedging contracts⁽¹⁾:					
Commodity assets	\$ 9	\$ —	\$ 2	\$ —	\$ 11
Commodity liabilities	(2)	—	(51)	(90)	(143)
Total	<u>7</u>	<u>—</u>	<u>(49)</u>	<u>(90)</u>	<u>(132)</u>
Total derivatives	7	—	(49)	(90)	(132)
Cash collateral receivable	—	—	16	54	70
Total derivatives - net basis	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ (33)</u>	<u>\$ (36)</u>	<u>\$ (62)</u>
<u>As of December 31, 2014</u>					
Not designated as hedging contracts⁽¹⁾:					
Commodity assets	\$ 28	\$ —	\$ 1	\$ —	\$ 29
Commodity liabilities	(10)	—	(55)	(49)	(114)
Total	<u>18</u>	<u>—</u>	<u>(54)</u>	<u>(49)</u>	<u>(85)</u>
Total derivatives	18	—	(54)	(49)	(85)
Cash collateral receivable	—	—	14	14	28
Total derivatives - net basis	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ (40)</u>	<u>\$ (35)</u>	<u>\$ (57)</u>

(1) PacifiCorp's commodity derivatives are generally included in rates and as of September 30, 2015 and December 31, 2014, a regulatory asset of \$128 million and \$85 million, respectively, was recorded related to the net derivative liability of \$132 million and \$85 million, respectively.

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 Ended September 30,		Nine-Month Periods Ended September 30,	
	2015	2014	2015	2014
Beginning balance	\$ 99	\$ —	\$ 85	\$ 55
Changes in fair value recognized in regulatory assets	38	34	65	(15)
Net gains (losses) reclassified to operating revenue	1	2	29	(9)
Net losses reclassified to energy costs	(10)	(7)	(51)	(2)
Ending balance	<u>\$ 128</u>	<u>\$ 29</u>	<u>\$ 128</u>	<u>\$ 29</u>

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	September 30, 2015	December 31, 2014
Electricity sales	Megawatt hours	(1)	(1)
Natural gas purchases	Decatherms	111	113
Fuel oil purchases	Gallons	3	3

Credit Risk

PacifiCorp is exposed to counterparty credit risk associated with wholesale energy supply and marketing activities with other utilities, energy marketing companies, financial institutions and other market participants. Credit risk may be concentrated to the extent PacifiCorp's counterparties have similar economic, industry or other characteristics and due to direct or indirect relationships among the counterparties. Before entering into a transaction, PacifiCorp analyzes the financial condition of each significant wholesale counterparty, 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 further mitigate wholesale counterparty credit risk, 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. 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 credit support provisions that in part base certain collateral requirements on credit ratings for senior unsecured debt as reported by one or more of the three recognized credit rating agencies. 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 September 30, 2015, 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 \$137 million and \$113 million as of September 30, 2015 and December 31, 2014, respectively, for which PacifiCorp had posted collateral of \$70 million and \$28 million, respectively, in the form of cash deposits. If all credit-risk-related contingent features for derivative contracts in liability positions had been triggered as of September 30, 2015 and December 31, 2014, PacifiCorp would have been required to post \$63 million and \$75 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.

(9) 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 September 30, 2015					
Assets:					
Commodity derivatives	\$ —	\$ 11	\$ —	\$ (4)	\$ 7
Money market mutual funds ⁽²⁾	44	—	—	—	44
Investment funds	14	—	—	—	14
	<u>\$ 58</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ 65</u>
Liabilities - Commodity derivatives	<u>\$ —</u>	<u>\$ (143)</u>	<u>\$ —</u>	<u>\$ 74</u>	<u>\$ (69)</u>
As of December 31, 2014					
Assets:					
Commodity derivatives	\$ —	\$ 25	\$ 4	\$ (11)	\$ 18
Money market mutual funds ⁽²⁾	30	—	—	—	30
	<u>\$ 30</u>	<u>\$ 25</u>	<u>\$ 4</u>	<u>\$ (11)</u>	<u>\$ 48</u>
Liabilities - Commodity derivatives	<u>\$ —</u>	<u>\$ (114)</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ (75)</u>

(1) Represents netting under master netting arrangements and a net cash collateral receivable of \$70 million and \$28 million as of September 30, 2015 and December 31, 2014, respectively.

(2) Amounts are included in cash and cash equivalents, other current assets and other assets on the Consolidated Balance Sheets. Money market mutual funds are accounted for as available-for-sale securities and the fair value approximates cost.

Derivative contracts are recorded on the Consolidated Balance Sheets as either assets or liabilities and are stated at estimated 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 8 for further discussion regarding PacifiCorp's risk management and hedging activities.

PacifiCorp's investments in money market mutual funds and investment funds 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 Balance Sheets. 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 September 30, 2015		As of December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 7,154	\$ 8,334	\$ 7,019	\$ 8,358

(10) 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 BHE'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 a May 2010 ruling on the Plaintiff's petition for reconsideration, the Utah Supreme Court reversed summary judgment and remanded the case back to the Third District Court for further consideration. In May 2012, a 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. 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. 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. 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. PacifiCorp strongly disagrees with the jury's verdict and is vigorously pursuing all appellate measures. Both PacifiCorp and the Plaintiff filed appeals with the Utah Supreme Court. Briefing before the Utah Supreme Court is complete and oral arguments were heard in September 2015. As of September 30, 2015, PacifiCorp had accrued \$121 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.

Sanpete County, Utah Rangeland Fire

In June 2012, a major rangeland fire occurred in Sanpete County, Utah. Certain parties allege that contact between two of PacifiCorp's transmission lines may have triggered a ground fault that led to the fire. PacifiCorp has engaged experts to review the cause and origin of the fire, as well as to assess the damages. PacifiCorp has accrued its best estimate of the potential loss and expected insurance recovery. PacifiCorp believes it is reasonably possible it may incur additional loss beyond the amount accrued, but does not believe the potential additional loss will have a material impact 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.

Commitments

As a result of the Utah Mine Disposition discussed in Note 4, PacifiCorp's replacement coal supply agreement for one of its generating facilities became effective in June 2015. Also during the three-month period ended June 30, 2015, PacifiCorp entered into several purchased electricity contracts from facilities that have not yet achieved commercial operation. These coal supply and purchased electricity contracts result in minimum future purchases of \$70 million in 2016, \$112 million in 2017, \$127 million in 2018, \$127 million in 2019 and \$1.601 billion in 2020 and thereafter.

(11) Related Party Transactions

Berkshire Hathaway includes BHE 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 BHE. For the nine-month period ended September 30, 2015, PacifiCorp received net cash payments for federal and state income taxes from BHE totaling \$35 million. For the nine-month period ended September 30, 2014, PacifiCorp made net cash payments for federal and state income taxes to BHE totaling \$100 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 impact 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 Third Quarter and First Nine Months of 2015 and 2014

Overview

Net income for the third quarter of 2015 was \$245 million, an increase of \$6 million, or 3%, compared to 2014. Net income increased due to higher margins of \$19 million, partially offset by lower AFUDC of \$4 million. Margins increased primarily due to lower purchased electricity prices, lower natural gas costs, higher retail rates and lower coal generation, partially offset by higher purchased electricity volumes, lower retail customer load and lower wholesale electricity revenue. Retail customer load decreased 2.6% due to lower industrial customer usage in Utah and Wyoming, partially offset by an increase in the average number of residential and commercial customers primarily in Utah. Energy generated decreased 5% for the third quarter of 2015 compared to 2014 due to lower coal-fueled, natural gas-fueled and hydroelectric generation, partially offset by higher wind-powered generation. Wholesale sales volumes decreased 8% and purchased electricity volumes increased 10%.

Net income for the first nine months of 2015 was \$550 million, a decrease of \$28 million, or 5%, compared to 2014. Net income decreased due to the prior year recognition of insurance recoveries for fire claims, higher depreciation and amortization of \$26 million and lower AFUDC of \$20 million, partially offset by higher margins of \$42 million. Margins increased primarily due to higher retail rates, lower purchased electricity prices and lower natural gas generation and costs, partially offset by higher purchased electricity volumes, lower retail customer load, lower wholesale electricity revenue, lower REC revenue and higher coal costs. Retail customer load decreased 1.5% due to lower industrial customer usage in Utah and Wyoming and lower residential customer usage across the service territory, partially offset by an increase in the average number of residential customers in Utah and Oregon and an increase in the average number of commercial customers in Utah. The impacts of mild weather in the first quarter of 2015 on residential and commercial customers primarily in Oregon and Washington and minimal weather impacts in the third quarter of 2015 were largely offset by the impacts of the hot weather in June 2015 on residential and commercial customers. Energy generated decreased 5% for the first nine months of 2015 compared to 2014 due to lower dispatch and availability of natural gas-fueled generation and lower hydroelectric and wind-powered generation, partially offset by the addition of Lake Side 2. Wholesale sales volumes decreased 11% and purchased electricity volumes increased 10%.

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:

	Third Quarter				First Nine Months			
	2015	2014	Change		2015	2014	Change	
Gross margin (in millions):								
Operating revenue	\$ 1,423	\$ 1,438	\$ (15)	(1)%	\$ 3,942	\$ 3,969	\$ (27)	(1)%
Energy costs	491	525	(34)	(6)	1,404	1,473	(69)	(5)
Gross margin	<u>\$ 932</u>	<u>\$ 913</u>	<u>\$ 19</u>	2	<u>\$ 2,538</u>	<u>\$ 2,496</u>	<u>\$ 42</u>	2
Sales (GWh):								
Residential	4,022	3,974	48	1 %	11,409	11,545	(136)	(1)%
Commercial	4,641	4,599	42	1	12,924	12,846	78	1
Industrial and irrigation	5,622	6,082	(460)	(8)	16,293	16,863	(570)	(3)
Other	102	113	(11)	(10)	311	322	(11)	(3)
Total retail	<u>14,387</u>	<u>14,768</u>	<u>(381)</u>	(3)	<u>40,937</u>	<u>41,576</u>	<u>(639)</u>	(2)
Wholesale	2,069	2,251	(182)	(8)	6,337	7,153	(816)	(11)
Total sales	<u>16,456</u>	<u>17,019</u>	<u>(563)</u>	(3)	<u>47,274</u>	<u>48,729</u>	<u>(1,455)</u>	(3)
Average number of retail customers (in thousands)								
	1,816	1,783	33	2 %	1,809	1,780	29	2 %
Average revenue per MWh:								
Retail	\$ 92.04	\$ 89.65	\$ 2.39	3 %	\$ 88.71	\$ 86.17	\$ 2.54	3 %
Wholesale	\$ 28.72	\$ 33.69	\$ (4.97)	(15)%	\$ 30.83	\$ 33.62	\$ (2.79)	(8)%
Sources of energy (GWh)⁽¹⁾:								
Coal	10,820	11,342	(522)	(5)%	31,496	31,403	93	— %
Natural gas	2,842	3,145	(303)	(10)	6,696	8,046	(1,350)	(17)
Hydroelectric ⁽²⁾	407	501	(94)	(19)	2,088	2,750	(662)	(24)
Wind and other ⁽²⁾	618	552	66	12	2,001	2,425	(424)	(17)
Total energy generated	<u>14,687</u>	<u>15,540</u>	<u>(853)</u>	(5)	<u>42,281</u>	<u>44,624</u>	<u>(2,343)</u>	(5)
Energy purchased	2,976	2,714	262	10	8,429	7,654	775	10
Total	<u>17,663</u>	<u>18,254</u>	<u>(591)</u>	(3)	<u>50,710</u>	<u>52,278</u>	<u>(1,568)</u>	(3)
Average cost of energy per MWh:								
Energy generated ⁽³⁾	\$ 20.02	\$ 21.00	\$ (0.98)	(5)%	\$ 19.77	\$ 20.34	\$ (0.57)	(3)%
Energy purchased	\$ 52.57	\$ 58.93	\$ (6.36)	(11)%	\$ 51.58	\$ 58.99	\$ (7.41)	(13)%

(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 renewable portfolio standards 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 only the cost of fuel associated with the generating facilities.

Gross margin increased \$19 million, or 2%, for the third quarter of 2015 compared to 2014 primarily due to:

- \$28 million of lower natural gas costs due to lower average unit costs and decreased generation;
- \$20 million of increases mainly from higher retail rates;
- \$5 million of lower coal costs primarily due to decreased generation; and
- \$3 million of lower purchased electricity due to lower average market prices, substantially offset by higher volumes.

The increase in gross margin was partially offset by:

- \$19 million of lower retail revenues from a 2.6% decrease in retail customer load due to 3.3% lower customer usage primarily by industrial customers in Utah and Wyoming, partially offset by a 1.0% increase in the average number of residential and commercial customers primarily in Utah; and
- \$16 million of lower wholesale revenue due to lower average wholesale prices and reduced volumes.

Operations and maintenance decreased \$7 million, or 3%, for the third quarter of 2015 compared to 2014 primarily due to lower labor and benefit costs.

Taxes, other than income taxes increased \$4 million, or 9%, for the third quarter of 2015 compared to 2014 due to higher property taxes primarily from higher assessed property values.

Allowance for borrowed and equity funds decreased \$4 million, or 27%, for the third quarter of 2015 compared to 2014 due to lower qualified construction work-in-progress balances and lower rates.

Income tax expense increased \$8 million, or 8%, for the third quarter of 2015 compared to 2014 and the effective tax rate was 31% and 30% for the third quarter of 2015 and 2014, respectively. The increase in income tax expense was primarily due to higher pre-tax book income.

Gross margin increased \$42 million, or 2%, for the first nine months of 2015 compared to 2014 primarily due to:

- \$98 million of lower natural gas costs due to decreased generation, primarily as a result of lower dispatch and availability, and lower average unit costs, partially offset by increased generation from the addition of Lake Side 2;
- \$94 million of increases mainly from higher retail rates; and
- \$17 million of lower purchased electricity due to lower average market prices, partially offset by higher volumes.

The increase in gross margin was partially offset by:

- \$45 million of lower wholesale revenue due to reduced volumes and lower average wholesale prices;
- \$45 million of lower retail revenues from a 1.5% decrease in retail customer load due to 2.3% lower customer usage primarily by industrial customers in Utah and Wyoming and residential customers across the service territory, partially offset by a 0.8% increase in the average number of residential customers in Utah and Oregon and an increase in the average number of commercial customers in Utah. The impacts of mild weather in the first quarter of 2015 on residential and commercial customers primarily in Oregon and Washington and minimal weather impacts in the third quarter of 2015 were largely offset by the impacts of the hot weather in June 2015 on residential and commercial customers;
- \$31 million of lower REC revenue primarily due to the effects of established adjustment mechanisms;
- \$25 million of higher coal costs primarily due to higher average unit costs; and
- \$24 million of lower net deferrals of incurred net power costs in accordance with established adjustment mechanisms.

Operations and maintenance increased \$19 million, or 2%, for the first nine months of 2015 compared to 2014 primarily due to recognition in 2014 of insurance recoveries expected from the Sanpete County, Utah rangeland fire, partially offset by lower labor and benefit costs.

Depreciation and amortization increased \$26 million, or 5%, for the first nine months of 2015 compared to 2014 primarily due to higher plant in-service, including Lake Side 2.

Taxes, other than income taxes increased \$12 million, or 10%, for the first nine months of 2015 compared to 2014 due to higher property taxes primarily from higher plant in-service and higher assessed property values.

Allowance for borrowed and equity funds decreased \$20 million, or 33%, for the first nine months of 2015 compared to 2014 primarily due to lower qualified construction work-in-progress balances.

Income tax expense decreased \$5 million, or 2%, for the first nine months of 2015 compared to 2014 and the effective tax rate was 31% and 30% for the first nine months of 2015 and 2014, respectively. The decrease in income tax expense was primarily due to lower pre-tax book income, partially offset by lower production tax credits associated with PacifiCorp's wind-powered generating facilities.

Liquidity and Capital Resources

As of September 30, 2015, PacifiCorp's total net liquidity was as follows (in millions):

Cash and cash equivalents	\$ 47
Credit facilities	1,200
Less:	
Short-term debt	—
Tax-exempt bond support and letters of credit	(160)
Net credit facilities	<u>1,040</u>
Total net liquidity	<u>\$ 1,087</u>
Credit facilities:	
Maturity dates	<u>2017, 2018</u>

Operating Activities

Net cash flows from operating activities for the nine-month periods ended September 30, 2015 and 2014 were \$1.511 billion and \$1.357 billion, respectively. The \$154 million increase was primarily due to cash received for income taxes in the current year compared to cash paid for income taxes in the prior year, lower purchased electricity payments, lower fuel payments and partial insurance recovery for Sanpete County, Utah rangeland fire costs incurred, partially offset by lower receipts from wholesale electricity sales, increases in cash collateral posted for derivative contracts and lower collections from retail customers.

In December 2014, the Tax Increase Prevention Act of 2014 (the "Act") was signed into law, extending the 50% bonus depreciation for qualifying property purchased and placed in-service before January 1, 2015 and before January 1, 2016 for certain longer-lived assets. As a result of the Act, PacifiCorp's cash flows from operations are benefiting in 2015 due to bonus depreciation on qualifying assets placed in-service.

Investing Activities

Net cash flows from investing activities for the nine-month periods ended September 30, 2015 and 2014 were \$(648) million and \$(777) million, respectively. The change was primarily due to a decrease in capital expenditures of \$137 million. Refer to "Future Uses of Cash" for discussion of capital expenditures.

Financing Activities

Net cash flows from financing activities for the nine-month period ended September 30, 2015 was \$(839) million. Uses of cash consisted substantially of \$950 million for common stock dividends paid to PPW Holdings, \$115 million for the repayment of long-term debt and \$20 million for the repayment of short-term debt. Sources of cash consisted of proceeds from the issuance of long-term debt of \$250 million.

Net cash flows from financing activities for the nine-month period ended September 30, 2014 was \$(517) million. Uses of cash consisted substantially of \$725 million for common stock dividends paid to PPW Holdings and \$212 million for the repayment of long-term debt. Sources of cash consisted of proceeds from the issuance of long-term debt of \$425 million.

Short-term Debt

Regulatory authorities limit PacifiCorp to \$1.5 billion of short-term debt. As of September 30, 2015, PacifiCorp had no short-term debt outstanding. As of December 31, 2014, PacifiCorp had \$20 million of short-term debt outstanding at a weighted average interest rate of 0.43%.

Long-term Debt

In June 2015, PacifiCorp issued \$250 million of its 3.35% First Mortgage Bonds due July 2025. The net proceeds were used to fund capital expenditures and for general corporate purposes, including retirement of short-term debt.

PacifiCorp currently has regulatory authority from the OPUC and the IPUC to issue an additional \$1.325 billion of long-term debt. PacifiCorp must make a notice filing with the WUTC prior to any future issuance.

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 markets, 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.

Historical and forecast capital expenditures, each of which exclude amounts for non-cash equity AFUDC and other non-cash items, are as follows (in millions):

	Nine-Month Periods		Annual
	Ended September 30,		Forecast
	2014	2015	2015
Transmission system investment	\$ 215	\$ 105	\$ 140
Environmental	122	83	127
Lake Side 2	32	—	—
Operating and other	408	452	652
Total	<u>\$ 777</u>	<u>\$ 640</u>	<u>\$ 919</u>

PacifiCorp's historical and forecast capital expenditures include the following:

- Transmission system investment includes construction costs for the 170-mile single-circuit 345-kV Sigurd-Red Butte transmission line that was placed in-service in May 2015.
- Environmental includes the installation of new or the replacement of existing emissions control equipment at certain generating facilities, including installation or upgrade of selective catalytic reduction control systems and low-nitrogen oxide burners to reduce nitrogen oxides, particulate matter control systems and mercury emissions control systems.
- Remaining investments relate to operating projects that consist of routine expenditures for transmission, distribution, generation and other infrastructure needed to serve existing and expected demand.

PacifiCorp and the California ISO Memorandum of Understanding

In April 2015, PacifiCorp and the California Independent System Operator Corporation ("California ISO") entered into a non-binding memorandum of understanding to explore the feasibility, costs and benefits of PacifiCorp joining a regional ISO as a participating transmission owner if the California ISO becomes a regional ISO by modifying its governance structure and expanding its balancing authority area. A comprehensive benefits study was completed and results were publicly announced in October 2015, along with an extension of the non-binding memorandum of understanding. The benefits study demonstrated gross benefits for customers exist, warranting further exploration and analysis of integration. PacifiCorp and the California ISO will initiate a stakeholder input and review process. If PacifiCorp decides to become a participating transmission owner in the regional ISO, it will seek necessary regulatory approvals, including from its state regulatory commissions and the FERC.

PacifiCorp and the California ISO launched the regional energy imbalance market in November 2014, which allows PacifiCorp to participate in the California ISO's real-time energy markets to most cost-effectively manage short-term fluctuations in energy supply and demand. Joining the regional ISO would extend that participation by PacifiCorp into the day-ahead energy market operated by the California ISO, in addition to unified planning and operation of PacifiCorp's transmission network.

Contractual Obligations

As of September 30, 2015, 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, 2014.

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, 2014, and new regulatory matters occurring in 2015.

State Regulatory Matters

Utah Mine Disposition

In December 2014, PacifiCorp filed applications with the UPSC, the OPUC, the WPSC and the IPUC seeking certain approvals, prudence determinations and accounting orders to close its Deer Creek mining operations, sell certain Utah mining assets, enter into a replacement coal supply agreement, amend an existing coal supply agreement, withdraw from the United Mine Workers of America ("UMWA") 1974 Pension Plan and settle PacifiCorp's other postretirement benefit obligation for UMWA participants (collectively, the "Utah Mine Disposition").

In April 2015, PacifiCorp filed all-party settlement stipulations with the UPSC and the WPSC finding that the decision to enter into the Utah Mine Disposition transaction is prudent and in the public interest and recommending the appropriate treatment for accounting and ratemaking purposes. The UPSC approved the stipulation in April 2015 and the WPSC approved the stipulation in May 2015. The IPUC also issued an order in May 2015, approving the Utah Mine Disposition and ruling that the decision to enter into the transaction was prudent and in the public interest. The IPUC's order established the accounting treatment necessary to implement the transaction while deferring any incremental ratemaking treatment to the next general rate case.

In May 2015, the OPUC issued its final order in the Utah Mine Disposition transaction proceeding, concluding that the transaction produces net benefits for customers and is in the public interest. In accordance with the OPUC order, PacifiCorp implemented two tariffs that reflect an overall annual rate increase of \$3 million effective June 2015.

In December 2014, PacifiCorp also filed an advice letter with the CPUC. In July 2015, the CPUC Energy Division issued a letter requiring PacifiCorp to file a formal application for approval of the sale of certain Utah mining assets. Accordingly, in September 2015, PacifiCorp filed an application with the CPUC.

Utah

In March 2015, PacifiCorp filed its annual Energy Balancing Account with the UPSC requesting recovery of \$31 million in deferred net power costs for the period January 1, 2014 through December 31, 2014. In September 2015, a settlement agreement was filed with the UPSC in which the parties agreed to recovery of \$30 million. In October 2015, the UPSC approved the settlement agreement with the new rates effective November 2015.

In March 2015, PacifiCorp filed its annual REC balancing account application with the UPSC requesting recovery of \$6 million over a two-year period. In May 2015, the UPSC approved the new rates effective June 2015 on an interim basis until a final order is issued by the UPSC. In September 2015, the UPSC issued a final order approving the interim rates as final.

Oregon

In April 2015, PacifiCorp made its initial filing for the annual Transition Adjustment Mechanism with the OPUC for an annual increase of \$12 million, or an average price increase of 1%, based on forecasted net power costs for calendar year 2016. The filing will be subject to updates throughout the year. In October 2015, the OPUC issued a preliminary order approving PacifiCorp's request, subject to updates in November 2015. New rates will be effective January 2016.

Wyoming

In March 2015, PacifiCorp filed a general rate case with the WPSC requesting an annual increase of \$32 million, or an average price increase of 5%, effective January 2016. The filing includes a proposal to implement a modified Energy Cost Adjustment Mechanism ("ECAM") to replace the current ECAM, which sunsets for new deferrals December 2015. In June 2015, PacifiCorp filed a net power cost update that reduced the requested increase to \$30 million. In September 2015, PacifiCorp filed rebuttal testimony reducing the requested increase to \$27 million, or an average price increase of 4%. Hearings were held in October and early November of 2015.

In March 2015, PacifiCorp filed its annual ECAM and Renewable Energy Credit and Sulfur Dioxide Revenue Adjustment Mechanism ("RRA") applications with the WPSC. The ECAM filing requests approval to recover \$8 million in deferred net power costs for the period January 1, 2014 through December 31, 2014, and the RRA application requests approval to refund \$1 million to customers. In May 2015, the WPSC approved the ECAM and RRA rates effective May 2015 on an interim basis. In September 2015, the WPSC approved a stipulation in which the parties agreed to allow the interim rates that were effective in May 2015 to become final.

Washington

In May 2014, PacifiCorp filed a general rate case with the WUTC requesting an annual increase of \$27 million, or an average price increase of 8%. In November 2014, PacifiCorp filed rebuttal testimony that increased the request to \$32 million, or an average price increase of 10%, primarily as a result of updated net power costs. In March 2015, the WUTC issued a final order in the proceeding approving an overall annual increase of \$10 million, or an average price increase of 3%, effective March 2015. In April 2015, PacifiCorp filed a petition for judicial review of certain findings of the WUTC's March 2015 order.

In the March 2015 general rate case order described above, the WUTC initiated a second phase of the proceeding to implement a Power Cost Adjustment Mechanism ("PCAM") under which a portion of the difference between base net power costs set during a general rate case and actual net power costs would be deferred and reflected in future rates. In May 2015, the WUTC approved an all-party stipulation in which the parties agreed to the implementation of a PCAM. The PCAM applies a \$4 million dead band for positive or negative net power cost variances. For net power cost variances between \$4 million and \$10 million, the PCAM reflects asymmetrical sharing bands in which amounts to be recovered from customers will be allocated 50% to customers and 50% to PacifiCorp, and amounts to be credited to customers will be allocated 75% to customers and 25% to PacifiCorp. Positive or negative net power cost variances in excess of \$10 million will be allocated 90% to customers and 10% to PacifiCorp. PacifiCorp will make its first annual PCAM filing in June 2016 to cover net power costs for the period April 1, 2015 through December 31, 2015. The PCAM will convert to a calendar year basis beginning in 2016.

Idaho

In February 2015, PacifiCorp filed its annual ECAM application with the IPUC requesting recovery of \$17 million, consisting primarily of \$10 million for deferred net power costs and \$6 million for the difference between REC revenues included in base rates and actual REC revenues. In March 2015, the IPUC approved recovery of \$16 million effective April 2015.

In May 2015, PacifiCorp filed an application with the IPUC requesting approval to modify the ECAM, update base net power costs and increase rates by \$10 million, effective January 2016. The requested increase included \$7 million for the difference between REC revenues included in base rates and actual REC revenues, and \$3 million as a result of updating base net power costs. In October 2015, PacifiCorp filed a settlement agreement with the IPUC in which the parties agreed to the requested increase in rates, effective January 2016. If the settlement agreement is approved, the ECAM will be modified to include production tax credits and exclude sulfur dioxide revenues. The settlement agreement allows another update to base net power costs in rates to be effective January 2017 and also specifies that January 2018 would be the earliest effective date that PacifiCorp could seek an increase to base rates through a general rate case.

California

In August 2014, PacifiCorp filed for a rate increase of \$5 million, or 4%, through its annual Energy Cost Adjustment Clause ("ECAC"). The CPUC approved the new rates effective March 2015.

In June 2015, PacifiCorp filed for a rate increase of \$1 million, or 1%, through its Post Test-year Adjustment Mechanism ("PTAM") for major capital additions to include the costs of the Sigurd-Red Butte transmission line in rates. The CPUC approved the new rates effective July 2015.

In August 2015, PacifiCorp filed for a rate decrease of \$2 million, or 2%, through its annual ECAC. If approved by the CPUC, the new rates will be effective January 2016.

In October 2015, PacifiCorp filed for a rate increase of \$1 million, or 1%, through its PTAM for attrition factor. The CPUC approved PacifiCorp's filing in October 2015 and the new rates will be effective January 2016.

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. 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 state and local agencies. PacifiCorp believes it is in material compliance with all applicable laws and regulations, although many are subject to interpretation that may ultimately be resolved by the courts. Refer to "Liquidity and Capital Resources" for discussion of PacifiCorp's forecast 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, 2014.

Clean Air Act Regulations

National Ambient Air Quality Standards

In October 2015, the EPA released revised ambient air quality standards for ground level ozone, lowering the standard from 75 parts per billion to 70 parts per billion. Under the Clean Air Act, the EPA is required to finalize a list of areas that are in "nonattainment" with the new standard by October 1, 2017. Given the level at which the standard was set in conjunction with retirements and the installation of controls, the new standard is not expected to have a significant impact on PacifiCorp.

Mercury and Air Toxics Standards

Numerous lawsuits have been filed in the United States Court of Appeals for the District of Columbia Circuit ("D.C. Circuit") challenging the Mercury and Air Toxics Standards ("MATS"). In April 2014, the D.C. Circuit upheld the MATS requirements. In November 2014, the United States Supreme Court agreed to hear the MATS appeal on the limited issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electric utilities. Oral argument in the case was held before the United States Supreme Court in March 2015, and a decision was issued by the United States Supreme Court in June 2015, which reversed and remanded the MATS rule to the D.C. Circuit for further action. The United States Supreme Court held that the EPA had acted unreasonably when it deemed cost irrelevant to the decision to regulate generating facilities, and that cost, including costs of compliance, must be considered before deciding whether regulation is necessary and appropriate. The United States Supreme Court's decision did not vacate or stay implementation of the MATS rule and until the D.C. Circuit takes further action, PacifiCorp continues to have a legal obligation under the MATS rule and its permits issued by the states in which it operates to comply with the MATS rule, including operating all emissions controls or otherwise complying with the MATS requirements, such as idling the Carbon coal-fueled generating facility ("Carbon Facility") in April 2015. Refer to the Regional Haze section below for additional requirements regarding the Carbon Facility.

Regional Haze

The state of Utah issued a regional haze State Implementation Plan ("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 appealed the EPA's approval of the sulfur dioxide portion and oral argument was heard before the United States Court of Appeals for the Tenth Circuit ("Tenth Circuit") in March 2014. In October 2014, the Tenth Circuit upheld the EPA's approval of the sulfur dioxide portion of the SIP. The state of Utah and PacifiCorp filed petitions for administrative and judicial review of the EPA's final rule on the best available retrofit technology ("BART") determinations for the nitrogen oxides and particulate matter portions of Utah's regional haze SIP in March 2013. Oral argument was held before the Tenth Circuit in March 2014. In May 2014, the Tenth Circuit dismissed the petition on jurisdictional grounds. In addition, and separate from the EPA's approval process and related litigation, the Utah Division of Air Quality has undertaken an additional BART analysis for Hunter Units 1 and 2, and Huntington Units 1 and 2. The additional BART analysis and revised regional haze SIP was submitted in June 2015 to the EPA for review and proposed action after a public comment period. The revised regional haze SIP includes a state-enforceable requirement to cease operation of the Carbon Facility by August 15, 2015, and PacifiCorp has begun decommissioning activities. This requirement is independent of the requirements of the MATS rule as discussed above. As a result of a suit brought to enforce the EPA deadlines for taking action on the Utah SIP, the EPA is expected to review and take final action on the SIP in March 2016 pursuant to a proposed consent decree. It is unknown how the EPA's decision regarding the Utah SIP may impact PacifiCorp's obligations under the regional haze requirements.

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 Federal Implementation Plan ("FIP") for the disapproved portions requiring selective catalytic reduction controls on Cholla Unit 4. 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 issued an order in February 2015, holding the matter in abeyance relating to PacifiCorp and Arizona Public Service Company as they work with state and federal agencies on an alternate compliance approach for Cholla Unit 4. In January 2015, Arizona Public Service Company submitted the permit applications and studies required to amend the Title V permit, and subsequently the Arizona SIP to convert Cholla Unit 4 to a natural gas-fueled unit in 2025. The Arizona Department of Environmental Quality prepared a draft permit and a revision to the Arizona regional haze SIP, held two public hearings in July 2015 and, after considering the comments received during the public comment period that closed on July 14, 2015, submitted the final proposals to the EPA for review, public comment and final action.

Climate Change

GHG 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 greenhouse gases ("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. As part of his Climate Action Plan, President Obama 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. The September 2013 GHG new source performance standards released by the EPA set different standards for coal-fueled and natural gas-fueled generating facilities. The proposed standard for natural gas-fueled generating facilities considered the size of the unit and the electricity sent to the grid from the unit. The proposed standards were published in the Federal Register January 8, 2014, and the public comment period closed in May 2014. On August 3, 2015, the EPA issued the final new source performance standards, establishing a standard of 1,000 pounds of carbon dioxide per MWh for large natural gas-fueled generating facilities and 1,400 pounds of carbon dioxide per MWh for new coal-fueled generating facilities with the "Best System of Emission Reduction" for coal-fueled generating facilities reflecting highly efficient supercritical pulverized coal facilities with partial carbon capture and sequestration or integrated gasification combined-cycle units that are co-fired with natural gas or pre-combustion slipstream capture of carbon dioxide. Any new fossil-fueled generating facilities constructed by PacifiCorp will be required to meet the GHG new source performance standards.

Clean Power Plan

In June 2014, the EPA released proposed regulations to address GHG emissions from existing fossil-fueled generating facilities, referred to as the Clean Power Plan, under Section 111(d) of the Clean Air Act. The EPA's proposal calculated state-specific emission rate targets to be achieved based on four building blocks that it determined were the "Best System of Emission Reduction." The four building blocks include: (a) a 6% heat rate improvement from coal-fueled generating facilities; (b) increased utilization of existing combined-cycle natural gas-fueled generating facilities to 70%; (c) increased deployment of renewable and non-carbon generating resources; and (d) increased energy efficiency. Under this proposal, states could have utilized any measure to achieve the specified emission reduction goals, with an initial implementation period of 2020-2029 and the final goal to be achieved by 2030. When fully implemented, the proposal was expected to reduce carbon dioxide emissions in the power sector to 30% below 2005 levels by 2030. The final Clean Power Plan was released August 3, 2015 and changed the methodology upon which the Best System of Emission Reduction is based to include: (a) heat rate improvements; (b) increased utilization of existing combined-cycle natural gas-fueled generating facilities; and (c) increased deployment of new and incremental non-carbon generation placed in-service after 2012. The EPA also changed the compliance period to begin in 2022, with three interim periods of compliance and with the final goal to be achieved by 2030. Based on changes to the state emission reduction targets, which are now all between 771 pounds per MWh and 1,305 pounds per MWh, the Clean Power Plan, when fully implemented, is expected to reduce carbon dioxide emissions in the power sector to 32% below 2005 levels by 2030. The EPA also released on August 3, 2015, a draft federal plan as an option or backstop for states to utilize in the event they do not submit approvable state plans. The draft federal plan is expected to be open for a 90-day public comment period after publication in the Federal Register. States are required to submit initial implementation plans by September 2016, and may request an extension to September 2018. The full impacts of the final rule or the federal plan on PacifiCorp cannot be determined until the states develop their implementation plans or the federal plan is finalized. PacifiCorp has historically pursued cost-effective projects, including plant efficiency improvements, increased diversification of its generating fleets to include deployment of renewable and lower carbon generating resources, and advancement of customer energy efficiency programs.

The GHG rules and PacifiCorp's compliance requirements are subject to potential outcomes from proceedings and litigation challenging the rules.

Renewable Portfolio Standards

The California Renewable Portfolio Standards ("RPS") required all California retail sellers to procure an average of 20% of retail load from renewable resources by December 31, 2013, 25% by December 31, 2016 and 33% by December 31, 2020. In October 2015, California Senate Bill No. 350 was signed into law, which increased the current RPS requirement to 40% by December 31, 2024, 45% by December 31, 2027 and 50% by December 31, 2030. In December 2011, the CPUC adopted a decision confirming that multi-jurisdictional utilities, such as PacifiCorp, are not subject to the percentage limits within the three product content categories of RPS-eligible resources established by the legislation that have been imposed on other California retail sellers.

Coal Combustion Byproduct Disposal

In May 2010, the EPA released a proposed rule to regulate the management and disposal of coal combustion byproducts, presenting two alternatives to regulation under the Resource Conservation and Recovery Act ("RCRA"). The public comment period closed in November 2010. The final rule was released by the EPA on December 19, 2014, was published in the Federal Register on April 17, 2015 and was effective on October 19, 2015. The final rule regulates coal combustion byproducts as non-hazardous waste under RCRA Subtitle D and establishes minimum nationwide standards for the disposal of coal combustion residuals. Under the final rule, surface impoundments and landfills utilized for coal combustion byproducts may need to be closed unless they can meet the more stringent regulatory requirements.

At the time the rule was published in April 2015, PacifiCorp operated 18 surface impoundments and seven landfills that contained coal combustion byproducts. Prior to the effective date in October 2015, nine surface impoundments and three landfills were either closed or repurposed to no longer receive coal combustion byproducts and hence are not subject to the final rule. Refer to Note 7 for discussion of the impacts on asset retirement obligations as a result of the final rule.

In September 2015, the EPA released final effluent limitation guidelines for steam electric generating facilities which, among other things, regulate the discharge of bottom ash transport water, fly ash transport water, combustion residuals leachate and non-metal cleaning wastes. Permitting authorities are required to include the new limits in each facility's discharge permit upon renewal. These limits must be met "as soon as possible" beginning November 1, 2018 and implementation cannot be delayed past December 31, 2023. The final rule was published in the Federal Register on November 3, 2015 and will be effective on January 4, 2016. With minor exceptions, many of the compliance requirements associated with the effluent limitation guidelines are addressed by PacifiCorp under the coal combustion residuals rule.

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 September 30, 2015, PacifiCorp's credit ratings for its senior secured debt and its issuer credit ratings for 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 credit support provisions that in part base certain collateral requirements on credit ratings for senior unsecured debt as reported by 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 September 30, 2015, PacifiCorp would have been required to post \$274 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 8 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, 2014. There have been no significant changes in PacifiCorp's assumptions regarding critical accounting estimates since December 31, 2014.

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, 2014. PacifiCorp's exposure to market risk and its management of such risk has not changed materially since December 31, 2014. Refer to Note 8 of Notes to Consolidated Financial Statements in Item 1 of this Form 10-Q for disclosure of PacifiCorp's derivative positions as of September 30, 2015.

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 United States Securities and Exchange Commission'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 September 30, 2015 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 10 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, 2014.

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.

On November 4, 2015, Bridger Coal Company, a coal mining joint venture that is two-thirds owned and operated by a subsidiary of PacifiCorp, received an imminent danger order under section 107(a) of the Federal Mine Safety and Health Act of 1977 at its underground mine located near Rock Springs, Wyoming. On that same date, Bridger Coal Company completed actions to abate the concerns, and the Federal Mine Safety and Health Administration terminated the section 107(a) order.

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: November 6, 2015

/s/ Nikki L. Koblaha

Nikki L. Koblaha

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

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
4.1*	Twenty-Eighth Supplemental Indenture, dated as of June 1, 2015, 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 19, 2015, 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 September 30, 2015 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 by reference.

November 6, 2015

To the Board of Directors and Shareholders of
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 September 30, 2015 and 2014, as indicated in our report dated November 6, 2015; 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 September 30, 2015, is incorporated by reference in Registration Statement No. 333-192267 on Form S-3ASR and Registration Statement No. 333-207687 on Form S-3.

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: November 6, 2015

/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, Nikki L. Koblaha, 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: November 6, 2015

/s/ Nikki L. Koblaha

Nikki L. Koblaha

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 September 30, 2015 (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: November 6, 2015

/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, Nikki L. Kobliha, 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 September 30, 2015 (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: November 6, 2015

/s/ Nikki L. Kobliha

Nikki L. Kobliha

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 September 30, 2015 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. Mines that are closed or idled are not included in the information below if no reportable events occurred at those locations during the three-month period ended September 30, 2015. There were no mining-related fatalities during the three-month period ended September 30, 2015. 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 September 30, 2015.

	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
Mining Facilities									
Deer Creek ⁽⁷⁾	—	—	—	—	—	\$ —	—	—	1
Bridger (surface)	3	—	—	—	—	213	6	3	—
Bridger (underground)	9	—	—	—	—	40	2	2	5
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 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 six contests of proposed penalties under Subpart C and two contests of citations or orders under Subpart B 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.
- (7) The Deer Creek mine is currently idled and closure activities have begun.