

PACIFIC POWER & LIGHT COMPANY**OVERALL COST OF CAPITAL**

<u>Type of Capital</u>	Percent of <u>Total*</u>	<u>Cost Rate</u>	Wt. Average <u>Cost Rate</u>
Common Equity	49.10%	8.90%	4.37%
Preferred Stock	0.02%	6.75%	0.00%
Long-term Debt	50.69%	5.19%	2.63%
Short-term Debt	0.19%	2.11%	<u>0.00%</u>
			7.01%

PRE-TAX INTEREST COVERAGE† = 3.56x

† Assuming the Company experiences, prospectively, an income tax rate of 35%, the pre-tax overall return would be 9.36% [$7.01\% - (2.63\% + 0.00\%) = 4.37\% / (1 - 35\%) = 6.72\% + (2.63\% + 0.00\%)$]. That pre-tax overall return (9.36%), divided by the weighted cost of debt (2.63+0.00%), indicates a pre-tax interest coverage level of 3.56 times.

* Capital structure percentages from Williams Direct, Exhibit No.__(BNW-1T), p. 3.