

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF  
RESPONSE TO DATA REQUEST

DATE PREPARED: April 25, 2016  
DOCKET: UE-152253  
REQUESTER: Bench

WITNESS: Jason L. Ball  
RESPONDER: Jason L. Ball  
TELEPHONE: (360) 664-1279

**BENCH REQUEST NO. 3:** Staff adjusted the Company input data for the supporting model relating to Adjustment 8.13 – Idaho Power Asset Exchange citing complex modeling issues. In reference to the table at the top of page 63 of Jason L. Ball’s testimony exhibit, Exh. No. JLB-1T, please provide separately the revenue requirement impact of the Reassignment Asset adjustment and the Correction Assets as proposed by Staff.

**RESPONSE:** Below is a table showing the revenue requirement impact for Reassignment Assets and Correction Assets. During the course of responding to this bench request, Staff discovered an error in the calculation of the effect of the Reassignment Assets as reflected in Exhibit No. JLB-2. The corrected calculation is incorporated into the revenue requirement impacts below.

Adjustment	Exchange Assets	Reassignment Assets	Correction Assets	Total
Adj. 6.1 – End-of-Period Reserves		\$2,186	\$10,989	\$13,175
Adj. 6.2 – Annualized Depr/Amrt Exp.		\$4,882	\$565	\$5,447
Adj. 7.1 - Interest Sync (For these asset categories only)	(\$50,962)	(\$42,974)	(\$152,238)	(\$246,174)
Adj. 8.10 – Investors Supplied Working Cap.		(\$5,008)	(\$30,982)	(\$35,990)
Adj. 8.11 – End-of-Period Plant Bal.		\$25,594	\$3,738	\$29,332
Adj. 8.13 – Idaho Asset Exchange	\$395,500			\$395,500
Input data		\$180,922	\$1,231,047	\$1,411,969
<b>Total Impact of Asset Reassignment/Exchange</b>	<b>\$344,538</b>	<b>\$165,602</b>	<b>\$1,063,119</b>	<b>\$1,573,259</b>

Impact due to change in WCA Factors <sup>1</sup>		\$ 1,841	\$ 5,867
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<sup>1</sup> Staff did not include these impacts in its responsive testimony or in the total calculation in this response because the effect is minimal.

Attached are workpapers prepared in response to this bench request.

Staff devoted as much time as was possible to respond to this bench request and attempted to fully reconcile the Staff outcome to the numbers provided in the Company’s response to Bench Request No. 03; but we were unable to do so in the time allotted.

**Attachment to Staff  
Response to Bench Request 3**

<b>Adjustment</b>	<b>Exchange Assets</b>	<b>Reassignment Assets</b>	<b>Correction Assets</b>	<b>Total</b>
Adj. 6.1 – End-of-Period Reserves		\$2,186	\$10,989	\$13,175
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Impact due to change in WCA Factors <sup>1</sup>		\$ 1,841	\$ 5,867
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<sup>1</sup> Staff did not include these impacts in its responsive testimony or directly in this response because their effect is minimal.

<b>Staff Adjustment for Modeling Effects</b>		Exchange Assets	Reallocation Assets	Correction Assets
Depreciation Expense	PRO	-	(204,870)	(27,546)
Amortization Expense	PRO	-	(20,578)	(14,216)
Electric Plant in Service	PRO	-	(11,960,217)	(2,303,664)
Accum. Prov. For Depreciation	PRO	-	3,049,116	812,805
Accum. Prov. For Amortization	PRO	-	82,389	58,926

**Interest Synchronization (Adj 7.1)**

Other Interest Expense - Restating	427	RES
Other Interest Expense - Pro Forma	427	PRO

Exchange Assets	Reallocation Assets	Correction Assets
329,904	10,645	203,848
309,426	306,987	307,785



	<u>Staff Model</u> <u>without Idaho</u> <u>Power Asset</u> <u>Exchange</u>	Reallocation Assets	Correction Assets
<b>Modeling Impacts due to changes in WCA Allocation Factors</b>			
Staff Revenue Requirement Model	\$ (6,255,972)	(6,265,650)	(5,338,084)
JAM Revenue Requirement Model		<u>(6,259,783)</u>	<u>(5,336,243)</u>
Difference		<u>5,867</u>	<u>1,841</u>

**Pacific Power GRC UE-152253**  
**Rate Plan Year 1 - Staff Proposed Revenue Requirement Increase**  
**Conversion Factor**

1	Operating Revenue		100.0000%
2	Operating Revenue Deductions:		
3		Uncollectible Accounts	0.5208%
4		State Utility Tax ((3.8734%- (Line 3 * 3.8734%))	3.8734%
5		WUTC Fee	0.2000%
6		Sub-Total	<u>95.4058%</u>
7			
8		State Income Tax	0.0000%
9			
10		Sub-Total	<u>95.4058%</u>
11			
12		Federal Income Tax @ 35%	33.3920%
13			
14		<b>Net Operating Income Conversion Factor</b>	<b><u><u>62.0140%</u></u></b>
15			
16	Company uses inverse known as "Net to Gross Bump-up".		161.2539%
17			
18	Revenue Sensitive Tax Rates:		
19		customer accounting	0.5208%
20		other taxes	4.0734%
21			
22		Nominal Tax Rate	0.35
23			

Pacific Power GRC UE-152253  
Rate Plan Year 1 - Staff Proposed Revenue Requirement Increase  
Weighted Average Cost of Capital

**COMPANY PROPOSED**

	Type of Capital	Cap.Structure	Cost	Weighted Cost	Debt Rate
1					
2	Long-term Debt	50.88%	5.18%	2.634%	
3	Short term Debt	0.00%	0.00%	0.000%	2.63%
4	Preferred Stock	0.02%	6.75%	0.001%	
5	Common Stock	49.10%	9.50%	4.665%	
6	Weighted Average Cost of Capital	100.00%		7.300%	

**STAFF PROPOSED**

	Type of Capital	Cap.Structure	Cost	Weighted Cost	Debt Rate
10					
11					
12	Long-term Debt	50.69%	5.21%	2.641%	
13	Short term Debt	0.19%	2.15%	0.004%	2.64500%
14	Preferred Stock	0.02%	6.75%	0.001%	
15	Common Stock	49.10%	9.25%	4.542%	
16	Weighted Average Cost of Capital	100.00%		7.190%	