

**Exhibit \_\_ (JOINT-3)**  
**Docket UE-061546**

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**Complainant,**

**vs.**

**PACIFICORP dba Pacific Power & Light  
Company,**

**Respondent.**

**DOCKET UE-061546**

**EXHIBIT TO JOINT TESTIMONY**

**REVENUE REQUIREMENTS ANALYSIS**

**January 19, 2007**

## Summary of Adjustments

PacifiCorp Docket UE-061546  
Exhibit \_\_\_ (JOINT-3)

	Adj. No.	NOI Impact	Net Rate Base Impact	Staff's Revenue Requirement Impact	PacifiCorp's Revenue Requirement Impact per Filing	Difference
A	B	C	D	E	F	G
1 Per Books		\$31,739,435	\$534,951,251	\$ 18,329,880	\$ 18,293,896	\$ 35,984
2 <b>Adjustments</b>						
3 <b>REVENUE</b>						
4 Temperature Normalization	3.1	(143,284)	-	230,940	230,481	459
5 ProForma Reduction in Load	3.2	(2,539,148)	-	4,092,509	4,084,379	8,130
6 Revenue Normalizing	3.3	9,182,478	-	(14,799,993)	(14,770,591)	(29,402)
7 Centralia Gain	3.4	(734,690)	-	1,184,147	1,181,795	2,352
8 Pole Attachment Revenue	3.5	(519,401)	-	837,152	835,489	1,663
9 SO2 Emission Allowances	3.6	(1,246,243)	(1,457,588)	1,819,319	1,815,704	3,615
10						
11 <b>O &amp; M</b>						
12 Green Tag Removal	4.1	26,742	-	(43,101)	(43,016)	(85)
13 Miscellaneous General Expense	4.2	21,780	-	(35,104)	(35,034)	(70)
14 International Assignees	4.3	95,895	-	(154,559)	(154,252)	(307)
15 Out of Period Expense Adj.	4.4	44,768	-	(72,156)	(72,012)	(144)
16 Property Insurance	4.5	(109,721)	-	176,844	176,493	351
17 Affiliate Fee Commitment	4.6	7,090	-	(11,427)	(11,404)	(23)
18 DSM Amortization Removal	4.7	3,224,447	-	(5,197,049)	(5,186,724)	(10,325)
19 Corporate Cost Commitment	4.8	53,311	-	(85,925)	(85,754)	(171)
20 A&G Expense Commitment	4.9	306,114	-	(493,383)	(492,403)	(980)
21 Proforma Wage Adjustment	4.10	(695,500)	-	1,120,982	-	1,120,982
22						
23						
24 <b>NET POWER COSTS</b>						
25 BPA Exchange	5.1	(13,034,252)	-	21,008,147	20,966,412	41,735
26 James River Royalty Offset	5.2	1,058,428	-	(1,705,937)	(1,702,548)	(3,389)
27 Removal of Colstrip #3	5.3	678,441	(9,665,246)	(2,348,934)	(2,344,276)	(4,658)
28 Misc. Power Cost	5.4	841,441	-	(1,356,205)	-	(1,356,205)
29 Dynamic Overlay	5.5	149,500	-	(240,959)	-	(240,959)
30 Allocate on 75%demand/25%energy	5.6	1,365,000	-	(2,200,059)	-	(2,200,059)
31 Water Year Adjustment	5.7	1,001,650	-	(1,614,424)	-	(1,614,424)
32						
33 <b>TAX ADJUSTMENTS</b>						
34 Interest True Up	7.1	(468,054)	-	754,394	368,211	386,183
35 Utah Gross Receipts Tax	7.2	195,117	-	(314,483)	(313,858)	(625)
36 Reclass Deferred Income Tax	7.3	-	(16,435)	(2,135)	(2,131)	(4)
37 Malin Midpoint	7.4	297,441	(1,487,206)	(672,582)	(671,247)	(1,335)
38 Flow-through Deferred Tax Adj.	7.5	1,217,863	(10,531,719)	(3,330,904)	(3,324,296)	(6,608)
39 IRS Settlement Amortization	7.6	-	-	-	1,082,832	(1,082,832)
40 Year-end Deferred Tax	7.7	-	(377,919)	(49,089)	(48,992)	(97)
41 Renewable Energy Tax Credit	7.8	629,057	-	(1,013,892)	(1,011,878)	(2,014)
42 Low Income Tax Credit	7.9	23,835	-	(38,416)	(38,340)	(76)

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	Adj. No.	NOI Impact	Net Rate Base Impact	Staff's Revenue Requirement Impact	PacifiCorp's Revenue Requirement Impact per Filing	Difference
A	B	C	D	E	F	G
43						
44						
45	8.1	-	-	-	22,796	(22,796)
46	8.2	-	(2,814,534)	(365,588)	(364,864)	(724)
47	8.3	-	18,630,829	2,420,013	2,633,158	(213,145)
48	8.4	(86,378)	112,424	153,824	153,519	305
49	8.5	79,281	(130,323)	(144,711)	(144,423)	(288)
50	8.6	6,090	(441,866)	(67,211)	(67,078)	(133)
51	8.7	-	984,551	127,886	127,633	253
52	8.8	724	(38,931)	(6,224)	(6,212)	(12)
53	8.9	(946,413)	21,751,568	4,350,770	4,342,144	8,626
54	8.10	427,294	-	(688,697)	(687,329)	(1,368)
55	8.11	33,000	(481,839)	(115,776)	(115,546)	(230)
56	8.12	280,616	660,546	(366,486)	(365,758)	(728)
57	8.13	1,618,890	849,117	(2,498,975)	(1,044,879)	(1,454,096)
58	8.14	-	(4,014,806)	(521,495)	-	(521,495)
59	8.15	-	(12,166,362)	(1,580,324)	-	(1,580,324)
60	8.16	(24,364)	(2,001,969)	(220,773)	-	(220,773)
61	8.17	184,798	-	(297,851)	-	(297,851)
62						
63						
64	Total	33,541,668	532,313,543	13,951,980	23,210,097	(9,258,117)
65	Conversion Factor			0.620438	0.621670	
66	Percentage Increase in Revenues			6.2%	10.2%	
67	Percentage Increase for \$10M in Revenues			4.4%	4.4%	
68						
69						
70	Capital Structure	Staff	Staff	Company	Company	
71	Long-term Debt / Cost	50.0%	6.335%	50.00%	6.335%	
72	Short term Debt / Cost	3.0%	4.500%	3.00%	4.500%	
73	Preferred Stock / Cost	1.0%	6.455%	1.00%	6.455%	
74	Common Stock / Cost	46.0%	10.200%	46.00%	10.200%	
75	Weighted Average Cost of Capital		8.06%		8.06%	
76						
77	Implied Return of \$10M Increase					
78	On Rate Base		7.60%		6.59%	
79	On Equity		9.20%		7.00%	

	Staff Adjustments	Explanation
1	Per Books	Correction to conversion factor.
2		
3	REVENUE	
4	Temperature Normalization	3.1 Correction to conversion factor.
5	ProForma Reduction in Load	3.2 Correction to conversion factor.
6	Revenue Normalizing	3.3 Correction to conversion factor.
7	Centralia Gain	3.4 Correction to conversion factor.
8	Pole Attachment Revenue	3.5 Correction to conversion factor.
9	SO2 Emission Allowances	3.6 Correction to conversion factor.
10		
11	O & M	
12	Green Tag Removal	4.1 Correction to conversion factor.
13	Miscellaneous General Expense	4.2 Correction to conversion factor.
14	International Assignees	4.3 Correction to conversion factor.
15	Out of Period Expense Adj.	4.4 Correction to conversion factor.
16	Propety Insurance	4.5 Correction to conversion factor.
17	Affiliate Fee Commitment	4.6 Correction to conversion factor.
18	DSM Amortization Removal	4.7 Correction to conversion factor.
19	Corporate Cost Commitment	4.8 Correction to conversion factor.
20	A&G Expense Commitment	4.9 Correction to conversion factor.
21	Proforma Wage Adjustment	4.10 PacifiCorp intentionally omitted wage changes for the near future. Staff finds it reasonable to include known and measurable changes for non-executive wage increases.
22		
23		
24	NET POWER COSTS	
25	BPA Exchange	5.1 Correction to conversion factor.
26	James River Royalty Offset	5.2 Correction to conversion factor.
27	Removal of Colstrip #3	5.3 Correction to conversion factor.
28	Misc. Power Costs	5.4 1. East control Area reglating margins were inadvertently left on. 2. Excess power in the WCA is most economically sold to either the western market, or to the East Control Area. Implementing these adjustments to GRID reduces the revenue requirements by about \$1,356,000, for Washington.
29	Dynamic Overlay	5.5 Per the response to ICNU DR 2.9, an adjustment to reduce power cost for transmission operations, this reduces revenue requirements by about \$240,000, for Washington.
30	Allocate on 75%demand/25%energy	5.6 PacifiCorp has mistakenly allocated generation plant on an allocation factor composed of 75% times the capacity factor and 25% times the energy factor. In its filed case the Company allocated generation plant only on Washington's share of energy consumption. This adjustment returns to the concept of 75% -25%, as applied to Washington's portions of the Western Control Area capacity and energy. The factor is termed the Control Area Generation West (CAGW). The effect is to reduce revenue requirements by \$2.2 million.
31	Water Year Adjustment	5.7 Adjustments to average water year reducing revenue requirements by \$1.61 million.
32		

	Staff Adjustments	Explanation
33	TAX ADJUSTMENTS	
34	Interest True Up	7.1 The interest true-up varies automatically as rate base changes. The effect is to increase revenue requirements \$754,000.
35	Utah Gross Receipts Tax	7.2 Correction to conversion factor.
36	Reclass Deferred Income Tax	7.3 Correction to conversion factor.
37	Malin Midpoint	7.4 Correction to conversion factor.
38	Flow-through Deferred Tax Adj.	7.5 Correction to conversion factor.
39	IRS Settlement Amortization	7.6 Staff removes this adjustment per arguments in the UE-050684 rate case. The effect is to reduce revenue requirements by \$1,083,000.
40	Year-end Deferred Tax	7.7 Correction to conversion factor.
41	Renewable Energy Tax Credit	7.8 Correction to conversion factor.
42	Low Income Tax Credit	7.9 Correction to conversion factor.
43		
44	RATE BASE	
45	Cash Working Capital	8.1 This adjustment is removed per arguments in the last rate case, Docket UE-050684. Revenue requirements are reduced about \$23,000. See also adjustments 8.3, 8.14, and 8.15.
46	Remove Deferred Debits	8.2 Correction to conversion factor.
47	Bridger Mine Rate Base	8.3 Remove working capital items from the company adjustment. Revenue requirements are reduced about \$218,000, compared to the Company's adjustment.
48	Grid West Loan	8.4 Correction to conversion factor.
49	North Umpqua Relicensing	8.5 Correction to conversion factor.
50	Yakama Sale	8.6 Correction to conversion factor.
51	Customer Advances	8.7 Correction to conversion factor.
52	Centralia Transmission Line Sale	8.8 Correction to conversion factor.
53	Leaning Juniper	8.9 Correction to conversion factor.
54	Miscellaneous Rate Base Adj.	8.10 Correction to conversion factor.
55	Colstrip 4 AFUDC Adj.	8.11 Correction to conversion factor.
56	Trojan Removal	8.12 Correction to conversion factor.
57	MEHC Transition Savings	8.13 The MEHC transition savings are the subject of Docket UE-060817. The revenue requirement reduction of \$2.49 million (\$1.45 million less than the Company's adjustment) represents a possible outcome once the accounting petition is decided.
58	Remove Working Capital	8.14 This proposed adjustment removes the Company's line item for working capital from the results of operations consistent with the reversal of adjustment 8.1. The effect is a revenue requirement reduction of \$0.52 million.)
59	Remove Current Assets	8.15 Consistent with the last rate case, Docket UE-050684, current assets are removed from direct inclusion in rate base. The effect is a revenue requirement reduction of \$1.58 million.)
60	Customer Deposits	8.16 Customer deposits are customarily included as a rate base deduction and the interest paid on the deposits are included as an expense. The result is a reduction in revenue requirements of \$221,000.
61	Production Activity Deduction	8.17 The rate for this federal income tax Schedule M deduction increased for the years 2007 through 2009. This reduces revenue requirements by \$298,000.