

Exhibit No. ___ (JAR-3)
Docket No. UE-050684
Witness: James A. Rothschild

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP, d/b/a Pacific Power &
Light Company, Respondent.

DOCKET NO. UE-050684

EXHIBIT TO
TESTIMONY OF

JAMES A. ROTHSCHILD

For
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Overall Cost of Capital

November 3, 2005

Overall Cost of Capital

Recommended Capital Structure				Federal Income Tax	Pre-tax
Actual Capital Structure of PacifiCorp 12/31/04				Factor	Cost Rate
	Ratios	Cost Rate	Weighted		
	[A]		Cost Rate	[G]	
			[C]		
Long-Term Debt	51.3%	6.427% [B]	3.30%	1.00	3.30%
Short-Term Debt	4.0%	3.32% [D]	0.13%	1.00	0.13%
Preferred Stock	1.2%	6.59% [E]	0.08%	1.68	0.13%
Common Equity	43.5%	8.95% [E]	3.89%	1.68	6.54%
	100.0%		7.40%		10.10%

Coverage Ratio: 2.95
(Total Cost Rate divided by sum of cost rate for long-term and short-term debt)

Company Requested Capital Structure, modified to include short-term debt					
	Ratios	Cost Rate	Weighted	Tax Factor	After-tax
	[A]	0.00%	Cost Rate	[G]	Cost Rate
			[C]		
Long-Term Debt	47.42%	6.427% [B]	3.05%	1.00	3.05%
Short-Term Debt	4.00%	3.32% [D]	0.13%	1.00	0.13%
Preferred Stock	1.06%	6.59% [E]	0.07%	1.68	0.12%
Common Equity	47.52%	8.80% [F]	4.18%	1.68	7.03%
	100.0%		7.43%		10.32%

Company Requested Capital Structure					
	Ratios	Cost Rate	Weighted	Tax Factor	After-tax
	[B]		Cost Rate	[D]	Cost Rate
			[C]		
Long-Term Debt	49.40%	6.427% [B]	3.17%	1.00	3.17%
Short-Term Debt	0.00%		0.00%	1.00	0.00%
Preferred Stock	1.10%	6.59% [E]	0.07%	1.68	0.12%
Common Equity	49.50%	8.70% [F]	4.31%	1.68	7.23%
	100.0%		7.55%		10.53%

Source:

- [A] Based on actual PacifiCorp capital structure as of 12/31/04 as shown on response to WUTC Staff Data Request 42 2nd supplement. Also noted that this actual capital structure is very close to the median capital structure for comparative A rated electric utility Exhibit No. ____ (JAR-5) Page 2
- [B] Page 3 of testimony of Mr. Williams
- [C] Ratio X Cost Rate
- [D] Response to WUTC Staff Data Request 33
- [E] Exhibit No. ____ (JAR-4)
- [F] Exhibit No. ____ (JAR-4) with additional adjustments for percentage of common equity in the capital structure.
- [G] Response to WUTC Staff Data Request 37

**COMPANY PROPOSED REVENUE REQUIREMENT ASSOCIATED WITH
COMPANY PROPOSED INCREASE IN COMMON EQUITY RATIO**

Source:

1	Pre-tax Overall Cost of Capital including Short-term Debt		
	a)	10.32%	Exhibit No. ____ (JAR-3) Page 1
	b) based on Recommended Capital Structure	<u>10.10%</u>	Exhibit No. ____ (JAR-3) Page 1
	c) increase in Pre-tax Cost of Capital	0.22%	
2	Pre-tax Overall Cost of Capital excluding Short-term Debt		
	a) based on Company's Requested Capital Structure but excluding short-term debt	10.53%	Exhibit No. ____ (JAR-3) Page 1
	b) based on Recommended Capital Structure	<u>10.10%</u>	Exhibit No. ____ (JAR-3) Page 1
	c) increase in Pre-tax Cost of Capital	0.43%	
3	Company requested rate base	615,154,172	
4	Requested common equity ratio increase impact on annual revenue requirements		
	a) Including short-term debt in Company requested capital structure	1,351,148	Line 1 c x Line 3
	b) Excluding short-term debt in Company requested capital structure	2,634,556	Line 2 c x Line 3