

PACIFIC POWER AND LIGHT COMPANY - WASHINGTON
Revenue Requirement for Rate Base

Per Hill -- Without Decoupling

Type of Capital	PERCENT	WT. AVG.		Net of Tax
		COST RATE	COST RATE	
Common Equity	44.00%	9.125%	4.02%	4.02%
Preferred Stock	1.00%	6.590%	0.07%	0.07%
Long-term Debt	52.00%	6.427%	3.34%	2.17%
Short-term Debt	3.00%	3.000%	0.09%	0.06%
TOTALS	100.00%		7.51%	6.31%
Net to Gross:				0.593
Revenue Factor:				10.64%

Adjusted to Reflect 2% Reduction in Equity Capitalization for Decoupling

Type of Capital	PERCENT	COST RATE	COST RATE	Net of Tax
Common Equity	42.00%	9.125%	3.83%	3.83%
Preferred Stock	1.00%	6.590%	0.07%	0.07%
Long-term Debt	54.00%	6.427%	3.47%	2.26%
Short-term Debt	3.00%	3.000%	0.09%	0.06%
TOTALS	100.00%		7.46%	6.21%
Net to Gross:				0.593
Revenue Factor:				10.48%

Approximate Impact of Decoupling	Rate Base		Revenue Requirement for Rate Base
	Rate Base	Revenue Factor	Revenue Requirement for Rate Base
Without Decoupling	\$ 600,000,000	10.64%	\$ 63,862,320
With Decoupling	\$ 600,000,000	10.48%	\$ 62,861,150
Difference			\$ (1,001,170)

Rate base is rounded to avoid confusion with accounting adjustment issues in this proceeding.