

**UE-050684**  
**ICNU Response to Bench Request No. 12**  
(Workpaper Similar to PMW-8, page 1.1)

**Normalized Results of Operations - MSP Revised Protocol**  
**12 Months Ended September 2004**

Line	Description	Total Adjusted Results (1)	Price Change (2)	Results with Price Change (3)
	Operating Revenues:			
1	General Business Revenues	\$ 220,279,183	\$ (11,014,861)	\$ 209,264,322
2	Interdepartmental	-	-	-
3	Special Sales	66,195,696	-	66,195,696
4	Other	6,070,844	-	6,070,844
5	Total Operating Revenues	292,545,723	(11,014,861)	281,530,862
	Operating Expenses:			
6	Steam Production	59,580,063	-	59,580,063
7	Nuclear Production	-	-	-
8	Hydro Production	3,311,553	-	3,311,553
9	Other Power Supply	64,925,304	-	64,925,304
10	Transmission	9,676,056	-	9,676,056
11	Distribution	13,758,366	-	13,758,366
12	Customer Accounting	7,952,082	(39,323)	7,912,759
13	Customer Service & Info	476,617	-	476,617
14	Sales	4,662	-	4,662
15	Administrative & General	20,683,067	-	20,683,067
16	Total O&M Expenses	180,367,770	(39,323)	180,328,447
17	Depreciation	31,266,029	-	31,266,029
18	Amortization	5,038,892	-	5,038,892
19	Taxes Other than Income	5,477,913	(447,534)	5,030,379
20	Federal Income Taxes	2,995,270	(3,517,511)	(522,241)
21	State Income Taxes	730,609	(477,971)	252,638
22	Deferred Income Taxes - Net	12,508,941	-	12,508,941
23	ITC Adjustment	-	-	-
24	Misc Revenue & Expense	(404,370)	-	(404,370)
25	Total Operation Expenses	237,981,054	(4,482,340)	233,498,714
26	Return	\$ 54,564,669	\$ (6,532,521)	\$ 48,032,148
	Rate Base:			
27	Electric Plant in Service	1,133,391,893		1,133,391,893
28	Plant Held for Future Use	103,004		103,004
29	Misc Deferred Debits	10,194,634		10,194,634
30	Electric Plant Acq Adj	7,969,300		7,969,300
31	Nuclear Fuel	-		-
32	Prepayments	2,022,441		2,022,441
33	Fuel Stock	4,242,138		4,242,138
34	Material & Supplies	7,538,018		7,538,018
35	Working Capital	4,423,879		4,423,879
36	Weatherization Loans	795,339		795,339
37	Misc Rate Base	57,761		57,761
38	Total Electric Plant	1,170,738,407	-	1,170,738,407
	Rate Base Deductions:			
39	Accum Prov for Depreciation	(453,093,512)		(453,093,512)
40	Accum Prov for Amortization	(26,340,998)		(26,340,998)
41	Accum Deferred Income Tax	(77,318,488)		(77,318,488)
42	Unamortized ITC	(2,261,530)		(2,261,530)
43	Customer Adv for Const	(120,509)		(120,509)
44	Customer Service Deposits	(1,606,372)		(1,606,372)
45	Misc Rate Base Deductions	(10,903,869)		(10,903,869)
46	Total Rate Base Deductions	(571,645,278)	-	(571,645,278)
47	Total Rate Base	\$ 599,093,129	\$ -	\$ 599,093,129
48	Return on Rate Base	9.108%		8.017%
49	Return on Equity	12.115%		9.800%
	Tax Calculation:			
50	Operating Revenue	49,444,229	(10,528,004)	38,916,225
	Other Deductions:			
51	Interest	(19,667,586)	-	(19,667,586)
52	Schedule M Additions	45,540,418	-	45,540,418
53	Schedule M Deductions	(66,736,758)	-	(66,736,758)
54	Income before Tax	8,580,303	(10,528,004)	(1,947,701)
55	State Income Taxes	730,609	(477,971)	252,638
56	Taxable Income	7,849,694	(10,050,033)	(2,200,339)
57	Federal Income Taxes+Other	2,995,270	(3,517,511)	(522,241)

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**Normalized Results of Operations - MSP Revised Protocol**  
**12 Months Ended September 2004**

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Net Rate Base - Oregon Jurisdiction	\$ 599,093,129	Page 1.1
2	Return on Rate Base Requested	8.017%	Page 2.1
3	Revenue Required to Earn Requested Return	48,032,148	
4	Less Current Operating Revenues	<u>54,564,669</u>	
5	Increase to Current Revenues	\$ (6,532,521)	
6	Net to Gross Bump-up	1.6862	
7	Price Change Required for Requested Return	\$ (11,014,861)	
8	Uncollectible Percent	0.357%	Page 1.3
9	Increased Uncollectible Expens	\$ (39,323)	
	Increase in Other Taxes:		
10	Franchise Tax	0.000%	Page 1.3
11	Washington Revenue Tax	3.873%	Page 1.3
12	WUTC Fee	0.190%	Page 1.3
13	Resource Supplier	0.000%	Page 1.3
14	Increase in Other Taxes	\$ (447,534)	
15	State Taxable Income	\$ (10,528,004)	
16	State Effective Tax Rate	4.540%	Page 1.3
17	State Income Taxes	\$ (477,971)	
18	Federal Taxable Income	\$ (10,050,033)	
19	Federal Effective Tax Rate	35.000%	Page 1.3
20	Federal Income Taxes	\$ (3,517,511)	
21	Operating Income	100.000%	
22	Net Operating Income	59.306%	
23	Net Gross Bump-Up	168.616%	

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<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Operating Revenue	100.000%
	Operating Deductions:	
2	Uncollectable Accounts	0.357%
	Taxes Other than Income Taxes:	
3	Franchise Tax	0.000%
4	Public Utility Tax	0.190%
5	Gross Receipts Tax	3.873%
6	Resource Supplier	0.000%
7	Subtotal	95.580%
8	State Income Tax @	4.54%      4.339%
9	Subtotal	91.241%
10	Federal Income Tax @	35.00%      31.934%
11	Net Operating Income	59.306%

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**Merged Company Capital Structure**  
**12 Months Ended September 2004**

<u>Line</u>	<u>Description</u>	<u>Capital Structure</u> (1)	<u>Embedded Cost</u> (2)	<u>Weighted Cost</u> (3)
1	Debt	51.80%	6.427%	3.329%
2	Preferred	1.10%	6.590%	0.072%
3	Common	47.10%	9.800%	4.616%
4	Total	100.00%		8.017%
5	Return on Equity			9.800%

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**Results of Operations Summary**  
**12 Months Ended September 2004**

Line	Description	Unadjusted Total (1)	Unadjusted Other (2)	Unadjusted Washington (3)	Company Adjustments (4)	ICNU Adjustments (5)	Adjusted Washington (6)
<b>Operating Revenues:</b>							
1	General Business Revenues	\$ 2,467,605,354	\$ 2,276,719,614	\$ 190,885,740	\$ 29,393,443		\$ 220,279,183
2	Interdepartmental	139	-	139	(139)		-
3	Special Sales	324,247,924	297,054,466	27,193,458	39,002,238		66,195,696
4	Other	134,120,450	122,098,561	12,021,889	(6,191,428)	240,383	6,070,844
5	Total Operating Revenues	2,925,973,867	2,695,872,641	230,101,226	62,204,114	240,383	292,545,723
<b>Operating Expenses:</b>							
6	Steam Production	670,188,000	613,062,517	57,125,483	2,454,580	0	59,580,063
7	Nuclear Production	-	-	-	-		-
8	Hydro Production	35,683,397	32,604,888	3,078,509	233,044		3,311,553
9	Other Power Supply	483,085,515	459,774,417	23,311,098	62,729,083	(21,114,877)	64,925,304
10	Transmission	106,243,192	97,083,164	9,160,028	516,028		9,676,056
11	Distribution	211,702,886	198,547,221	13,155,665	602,701		13,758,366
12	Customer Accounting	90,467,063	82,947,100	7,519,963	432,119		7,952,082
13	Customer Service & Info	29,286,071	26,618,916	2,667,155	(2,190,538)		476,617
14	Sales	60,767	56,124	4,643	19		4,662
15	Administrative & General	215,741,411	198,246,167	17,495,244	3,187,823	(3,133,000)	20,683,067
16	Total O&M Expenses	1,842,458,302	1,708,940,514	133,517,788	67,964,859	(24,247,877)	180,367,770
17	Depreciation	352,316,780	321,990,333	30,326,447	939,582		31,266,029
18	Amortization	67,093,741	62,002,686	5,091,055	(52,163)		5,038,892
19	Taxes Other than Income	82,162,226	76,821,747	5,340,479	137,434		5,477,913
20	Federal Income Taxes	67,613,691	59,659,114	7,954,577	(4,959,307)	1,377,850	2,995,270
21	State Income Taxes	11,936,717	10,527,630	1,409,087	(678,478)	187,227	730,609
22	Deferred Income Taxes - Net	107,912,727	100,434,371	7,478,356	5,030,585	-	12,508,941
23	ITC Adjustment	(5,961,642)	(5,961,642)	-	-		-
24	Misc Revenue & Expense	(87,404,769)	(87,310,934)	(93,835)	(310,535)		(404,370)
25	Total Operation Expenses	2,438,127,773	2,247,103,819	191,023,954	68,071,977	(22,682,800)	237,981,054
26	Return	\$ 487,846,094	\$ 448,768,822	\$ 39,077,272	\$ (5,867,863)	22,923,183	\$ 54,564,669
<b>Rate Base:</b>							
27	Electric Plant in Service	13,362,104,756	12,273,759,176	1,111,571,570	22,924,323	(1,104,000)	1,133,391,893
28	Plant Held for Future Use	1,488,756	1,385,752	103,004	-		103,004
29	Misc Deferred Debits	1,529,442,261	1,520,265,615	9,176,646	1,017,988		10,194,634
30	Electric Plant Acq Adj	92,373,186	84,403,886	7,969,300	-		7,969,300
31	Nuclear Fuel	-	-	-	-		-
32	Prepayments	31,546,147	29,523,706	2,022,441	-		2,022,441
33	Fuel Stock	50,144,014	45,901,876	4,242,138	-		4,242,138
34	Material & Supplies	93,854,936	86,316,918	7,538,018	-		7,538,018
35	Working Capital	(343,109,303)	(346,224,300)	3,114,997	1,308,882		4,423,879
36	Weatherization Loans	120,989,045	120,193,706	795,339	-		795,339
37	Misc Rate Base	12,114,411	12,755,507	(641,096)	698,857		57,761
38	Total Electric Plant	14,950,948,209	13,828,281,842	1,145,892,357	25,950,050		1,170,738,407
<b>Rate Base Deductions:</b>							
39	Accum Prov for Depreciation	(5,280,504,695)	(4,830,093,885)	(450,410,810)	(2,682,702)		(453,093,512)
40	Accum Prov for Amortization	(328,005,403)	(301,658,820)	(26,346,583)	5,585		(26,340,998)
41	Accum Deferred Income Tax	(1,567,370,210)	(1,495,923,761)	(71,446,449)	(5,872,039)		(77,318,488)
42	Unamortized ITC	(79,508,210)	(77,384,322)	(2,123,888)	(137,642)		(2,261,530)
43	Customer Adv for Const	(4,852,231)	(4,014,281)	(837,950)	717,441		(120,509)
44	Customer Service Deposits	(21,102,222)	(19,495,850)	(1,606,372)	-		(1,606,372)
45	Misc Rate Base Deductions	(481,760,482)	(473,590,620)	(8,169,862)	(2,734,007)		(10,903,869)
46	Total Rate Base Deductions	(7,763,103,453)	(7,202,161,539)	(560,941,914)	(10,703,364)		(571,645,278)
47	Total Rate Base	\$ 7,187,844,756	\$ 6,626,120,303	\$ 584,950,443	\$ 15,246,686		\$ 599,093,129
48	Return on Rate Base	6.787%	6.773%	6.680%			9.108%
49	Return on Equity	7.151%		6.935%			12.115%
<b>100 Basis Points in Equity:</b>							
50	Revenue Requirement Impact	57,340,583		466,406			4,788,035
51	Rate Base Decrease	(488,593,119)		(40,352,984)			(49,285,576)