<u>BENCH REQUEST NO. 8:</u>

The adjusted rate base in Staff's case is identified as $541,157,929 in Exhibit No. ___ (TES-3), Page 1, line 56, column 5, but the rate base used in Staff's calculation of adjustment 7.1 is $543,355,900. Please explain the difference and provide the calculation for the adjustment.

Staff Response to Bench Request No. 8:

The difference between the two amounts ($2,197,971) represents the rate base reduction in Adjustment 3.6, SO2 Emission Allowances. Staff determines that it was an error to reduce rate base by that amount for purposes of calculating Adjustment 7.1. The correct rate base amount for use in calculating Adjustment 7.1, Interest True-up, is the adjusted rate base amount of $541,157,929 in Exhibit No. ___ (TES-3), Page 1, line 56, column 5.

The effect of this change is to decrease the net operating income effect for Adjustment 7.1 to ($578,042) from ($549,433). This increases Staff's proposed revenue requirement to $219,412,750 from $219,364,517, an increase of $48,233.

BENCH REQUEST NO. 9:

In its adjustment 3.2 in Exhibit No. ___ (TES-3), Page 6, Staff has reduced the revenue by the revenue sensitive taxes and other items used in the conversion factor. Should these revenue sensitive items also be used in calculating adjustments 3.1, 3.4, 3.5, 3.7, 5.1 in Exhibit No. ___ (TES-3) Page 10, and 8.16 in Exhibit No. ___ (TES-3), Page 21? Please provide the calculation for each of the above adjustments reflecting the appropriate revenue sensitive expenses.

Staff Response to Bench Request No. 9:

Each adjustment listed is explained below. Revenue sensitive items are included in the calculation of Adjustment No. 3.1, but revenue sensitive items should not be included for Adjustments 3.4, 3.5, 3.7 and 5.1 in Exhibit No. ___ (TES-3) page 10, and Adjustment 8.16 in Exhibit No. ___ (TES-3), page 21.

Staff considers the revenue sensitive taxes and other items to consist of: a) the bad debt impact as shown in Line 14, Customer Accounting, and b) the state taxes in Line 21, Taxes Other than Income. The line numbers refer to Exhibit No. ___ (TES-3) beginning on page 6.

Adjustment 3.1, Weather Normalization.

Revenue sensitive accounts are included in the amounts of $7,974, line 14, and $89,687, line 21.

Adjustment 3.4, Little Mtn. Steam.

This adjustment represents Washington's allocated portion of the revenues from steam sales at a plant located in Utah. As explained on page 3.6 of Exhibit No. ___ (PMW-3) this adjustment removes prior period revenues. There are no Washington taxes on these revenues, nor are there bad debts associated with the revenues.

Adjustment 3.5, Special Revenue Reclassification.

This adjustment reverses revenues which were allocated to Washington, but are situs assigned in the Revised Protocol method. No Washington taxes are associated with these revenues, nor are there bad debts associated with the revenues.

Adjustment 3.7, Centralia Gain.

This adjustment removes the amortization of the regulatory liability for the gain on the sale of the Centralia Steam Plant. Adjustment 3.3 removes the associated customer credit from Schedule 97. The intent is to remove both sides of the transaction leaving the revenue requirement calculation unaffected. There should also be no affect on the revenue sensitive accounts.

Adjustment 5.1, Net Power Cost Study

The revenues in this adjustment are Washington's allocated portion of the change to sales for resale given the normalizing of power sales for temperature and hydro conditions. No Washington taxes are associated with these revenues, nor are there bad debts associated with the revenues.

Adjustment 8.16, A&G allocator per books

This adjustment reallocates revenue from rent of electric property and other electric revenues on Staff's 3-factor method compared to the Company's SO factor. The rents may be from locations throughout PacifiCorp's service territory and are not directly attributable to Washington. Therefore no taxes can be directly attributable to Washington, and customer accounts are not affected.

BENCH REQUEST NO. 10:

Should Staff adjustments 8.1 and 8.4 be considered contested adjustments or uncontested adjustments? Please provide a corrected list of uncontested adjustments in the same format as Exhibit No. ___ (TES-4).

Staff Response to Bench Request No. 10:

Yes. The Commission should consider Company Adjustment 8.1, Update Cash Working Capital, and Adjustment 8.4, Proforma Plant Additions, as adjustments that are contested by Staff. Staff's Adjustment 8.1a, Remove Current Assets, reverses Company Adjustment 8.1 in its entirety and also removes other current assets. Staff's Adjustment 8.15, New Eastside Resource Allocation, partially reverses Company Adjustment 8.4.

Staff believed that presenting the adjustments in two parts would be cleaner and easier to understand. We regret any confusion this may have caused.

Based on the foregoing, Staff's list of uncontested adjustments in Exhibit No. ___ (TES-4) is correct.