

Revenue Requirement Adjustment Summary

The table below presents the Company's restating and pro forma ratemaking adjustments and their impact on net operating income (NOI), rate base, and the Washington revenue requirement.

Line No.	Adj. No.	A	B	C	D	E	F
				NOI	Rate Base	Rev. Req.	Reference
Unadjusted Washington Allocated Data (Per Books)				39,356,668	757,510,777	31,076,643	(RBD-3) Page 1.0
1	3.1	Temperature Normalization		2,065,366	-	(3,330,000)	(RBD-3), Page 3.0 Total
2	3.2	Revenue Normalization		7,302,805	-	(11,774,350)	(RBD-3), Page 3.0 Total
3	3.3	Effective Price Change		21,569,261	-	(34,776,231)	(RBD-3), Page 3.0 Total
4	3.4	SO2 Emission Allowance Sales		425,744	(1,995,224)	(935,418)	(RBD-3), Page 3.0 Total
5	3.5	REC Revenues		(5,352,010)	-	8,629,073	(RBD-3), Page 3.0 Total
6	3.6	Wheeling Revenue Adjustment		112,252	-	(180,985)	(RBD-3), Page 3.0 Total
7	3.7	Ancillary Revenue - WA		(721,055)	-	1,162,561	(RBD-3), Page 3.1 Total
Tab 3 - Revenue - Subtotal				25,402,364	(1,995,224)	(41,205,350)	
10	4.1	Miscellaneous General Expense Adjustment		2,598	-	(4,188)	(RBD-3), Page 4.0 Total
11	4.2	General Wage Increase - Restating Adjustment		70,898	-	(114,309)	(RBD-3), Page 4.0 Total
12	4.3	General Wage Increase - Pro Forma Adjustment		(199,305)	-	321,340	(RBD-3), Page 4.0 Total
13	4.4	AMR Savings		722,908	7,282,596	(256,735)	(RBD-3), Page 4.0 Total
14	4.5	Remove Non-Recurring Entries		(61,217)	56,245	105,719	(RBD-3), Page 4.0 Total
15	4.6	Pension Curtailment		32,799	(1,087,280)	(188,566)	(RBD-3), Page 4.0 Total
16	4.7	DSM Revenue and Expense Removal		714,065	-	(1,151,290)	(RBD-3), Page 4.1 Total
17	4.8	Inverted Rates Advertising		(2,385)	-	3,845	(RBD-3), Page 4.1 Total
18	4.9	MEHC Transition Cost Amortization		92,445	(79,631)	(158,988)	(RBD-3), Page 4.1 Total
19	4.10	Affiliate Mgmt Fee (MEHC Cross Charge)		9,369	-	(15,105)	(RBD-3), Page 4.1 Total
20	4.11	Insurance Expense		(317,266)	-	511,530	(RBD-3), Page 4.1 Total
21	4.12	Advertising Expense		(28,305)	-	45,636	(RBD-3), Page 4.1 Total
22	4.13	Memberships & Subscriptions		(886)	-	1,428	(RBD-3), Page 4.1 Total
Tab 4 - O&M - Subtotal				1,035,718	6,171,930	(899,684)	
25	5.1	Net Power Costs - Restating		1,059,368	-	(1,708,024)	(RBD-3), Page 5.0 Total
26	5.1.1	Net Power Costs - Pro Forma		(13,316,436)	-	21,470,157	(RBD-3), Page 5.0 Total
27	5.2	James River Royalty Offset		715,349	-	(1,153,360)	(RBD-3), Page 5.0 Total
28	5.3	BPA Residential Exchange		(5,703,247)	-	9,195,374	(RBD-3), Page 5.0 Total
29	5.4	Colstrip #3 Removal		305,299	(8,629,459)	(1,569,125)	(RBD-3), Page 5.0 Total
Tab 5 - NPC - Subtotal				(16,939,667)	(8,629,459)	26,235,021	
32	6.1	Hydro Decommissioning		(78,583)	273,210	160,794	(RBD-3), Page 6.0 Total
Tab 6 - Depreciation/Amortization - Subtotal				(78,583)	273,210	160,794	
35	7.1	Interest True Up		(380,692)	-	613,792	(RBD-3), Page 7.0 Total
36	7.2	Renewable Energy Tax Credit Adjustment		786,766	-	(1,268,507)	(RBD-3), Page 7.0 Total
37	7.3	Malin Midpoint Adjustment		296,779	(222,584)	(506,275)	(RBD-3), Page 7.0 Total
38	7.4	WA Public Utility Tax		(1,132,118)	-	1,825,320	(RBD-3), Page 7.0 Total
39	7.5	AFUDC Equity		83,729	-	(134,997)	(RBD-3), Page 7.0 Total
40	7.6/7.6.1	WA Flow-Through		(396,344)	(2,089,738)	378,244	(RBD-3), Page 7.0/7.1 Total
41	7.7	Remove Deferred State Tax Expense & Balance		1,877,339	953,690	(2,907,830)	(RBD-3), Page 7.1 Total
42	7.8	ADIT Balance		(20,913)	(773,349)	(62,790)	(RBD-3), Page 7.1 Total
Tab 7 - Tax - Subtotal				1,114,546	(2,131,982)	(2,063,043)	
45	8.1	Customer Service Deposits		(6,548)	(3,291,206)	(400,160)	(RBD-3), Page 8.0 Total
46	8.2	Jim Bridger Mine Rate Base Adjustment		-	32,582,683	4,066,072	(RBD-3), Page 8.0 Total
47	8.3	Environmental Remediation		(220,086)	(97,121)	342,726	(RBD-3), Page 8.0 Total
48	8.4	Customer Advances for Construction		-	(293,988)	(36,687)	(RBD-3), Page 8.0 Total
49	8.5	Removal of Colstrip #4 AFUDC		17,991	(423,016)	(81,795)	(RBD-3), Page 8.0 Total
50	8.6/8.6.1/8.6.2	Misc Rate Base		(71,785)	(20,525,786)	(2,445,724)	(RBD-3), Page 8.0/8.1 Total
51	8.7	Powerdale Hydro Removal		299,506	(315,734)	(522,296)	(RBD-3), Page 8.1 Total
52	8.8	Reg Asset Amortization		(1,935,443)	(1,356,953)	2,951,186	(RBD-3), Page 8.1 Total
53	8.9	Trojan Removal		166,474	1,078,475	(133,821)	(RBD-3), Page 8.1 Total
54	8.1	Condit Hydro Removal Adjustment		59,960	(36,215)	(101,194)	(RBD-3), Page 8.1 Total
Tab 8 - Rate Base - Subtotal				(1,689,931)	7,321,139	3,638,307	
57	9.1/9.1.1	Production Factor Adjustment		1,857,015	(8,024,551)	(3,995,477)	(RBD-3), Page 9.0 Total
Tab 9 - Production Factor - Subtotal				1,857,015	(8,024,551)	(3,995,477)	
Subtotal Normalizing Adjustments				10,701,462	(7,014,936)	(18,129,433)	
Total Adjusted Results				50,058,130	750,495,841	12,947,210	(RBD-3) Page 1.0

Notes:

- (1) The revenue requirement column is calculated using the Company's proposed return on rate base of 7.74% and the NOI conversion factor of 62.023%. The development of these percentages can be found in Exhibit No.____(RBD-3) on pages 2.1 and 1.3 respectively.

		Exhibit No. (RBD-3)					
		Tab 3	Tab 4	Tab 5	Tab 6	Tab 7	Tab 8
Washington Allocated Actual Results Dec 2010		Revenue Adjustments	O&M Adjustments	Net Power Cost Adjustments	Depreciation & Amortization Adjustments	Tax Adjustments	Rate Base Adjustments
1	Operating Revenues:						
2	General Business Revenues	256,639,553	46,553,790	-	-	-	-
3	Interdepartmental	-	-	-	-	-	-
4	Special Sales	74,513,001	-	(37,373,760)	-	-	-
5	Other Operating Revenues	25,032,634	(9,235,635)	1,100,536	-	-	(3,000,000)
6	Total Operating Revenues	356,185,188	37,318,155	(8,855,002)	(36,273,223)	-	(3,000,000)
7							
8	Operating Expenses:						
9	Steam Production	54,286,270	-	79,452	1,691,596	-	-
10	Nuclear Production	-	-	-	-	-	-
11	Hydro Production	7,051,085	-	30,067	-	-	(107,277)
12	Other Power Supply	118,807,032	-	(69,338)	(7,914,550)	-	-
13	Transmission	29,119,799	(65,153)	137,239	(3,519,552)	-	-
14	Distribution	11,983,586	-	323,126	-	-	-
15	Customer Accounting	8,088,803	-	(1,054,308)	-	-	(23,470)
16	Customer Service & Info	9,439,582	-	(8,806,138)	-	-	-
17	Sales	-	-	-	-	-	-
18	Administrative & General	10,269,547	-	(51,949)	-	-	76,773
19	Total O&M Expenses	249,045,704	(65,153)	(9,411,849)	(9,742,507)	-	(53,974)
20	Depreciation	37,836,762	-	(62,393)	(408,884)	-	(17,991)
21	Amortization	4,000,829	-	-	-	-	(577,160)
22	Taxes Other Than Income	17,194,582	-	(46,288)	-	1,741,720	-
23	Income Taxes - Federal	(13,444,798)	12,334,208	(313,987)	(9,249,421)	(932,020)	(1,518,568)
24	Income Taxes - State	-	-	-	-	-	-
25	Income Taxes - Def Net	22,579,758	342,726	(102,491)	113,543	1,010,603	(1,337,698)
26	Investment Tax Credit Adj.	-	-	-	-	-	(340,464)
27	Misc Revenue & Expense	(384,318)	(695,990)	-	-	-	10,074
28	Total Operating Expenses:	316,828,520	11,915,791	(9,890,720)	(19,333,556)	78,583	(1,114,546)
29							
30	Operating Rev For Return:	39,356,668	25,402,364	1,035,718	(16,939,667)	(78,583)	1,114,546
31							
32	Rate Base:						
33	Electric Plant In Service	1,463,726,642	-	(2,012,270)	(26,918,433)	-	57,008,379
34	Plant Held for Future Use	37,964	-	-	-	-	-
35	Misc Deferred Debits	21,830,245	-	(79,631)	-	-	(5,548,269)
36	Elec Plant Acq Adj	-	-	-	-	-	-
37	Nuclear Fuel	-	-	-	-	-	-
38	Prepayments	2,240,510	-	-	-	-	(2,240,510)
39	Fuel Stock	4,907,986	-	-	-	-	(4,907,986)
40	Material & Supplies	7,435,681	-	-	-	-	(7,435,681)
41	Working Capital	3,098,081	-	-	-	-	(3,098,081)
42	Weatherization	2,010,464	-	-	-	-	-
43	Misc Rate Base	102,469	-	-	-	-	(102,469)
44	Total Electric Plant:	1,505,390,042	-	(2,091,901)	(26,918,433)	-	33,675,383
45							
46	Rate Base Deductions:						
47	Accum Prov For Deprec	(533,422,816)	-	9,419,912	16,700,424	664,249	(25,269,963)
48	Accum Prov For Amort	(36,329,778)	-	-	-	-	-
49	Accum Def Income Tax	(172,602,483)	1,220,290	(1,212,326)	1,484,568	(391,039)	1,319,969
50	Unamortized ITC	(876,653)	-	-	103,982	-	-
51	Customer Adv For Const	(752)	-	-	-	-	(293,988)
52	Customer Service Deposits	-	-	-	-	-	(3,291,206)
53	Misc Rate Base Deductions	(4,646,784)	(3,215,514)	56,245	-	-	1,180,944
54							
55	Total Rate Base Deductions	(747,879,265)	(1,995,224)	8,263,831	18,288,975	273,210	(2,131,982)
56							
57	Total Rate Base:	757,510,777	(1,995,224)	6,171,930	(8,629,459)	273,210	(2,131,982)
58							
59	Return on Equity	4.61%	6.88%	0.19%	-4.48%	-0.02%	0.33%
60	Price Change	31,076,643	(41,205,350)	(899,684)	26,235,021	160,794	(2,063,043)
61							3,638,307
62	TAX CALCULATION:						
63	Operating Revenue	48,491,628	38,079,298	619,240	(26,075,545)	-	(1,741,720)
64	Other Deductions	-	24,317,085	663,802	-	-	-
65	Interest (AFUDC)	(5,402,817)	-	-	-	239,226	-
66	Interest	22,961,344	-	-	-	(1,087,692)	-
67	Schedule "M" Additions	69,682,520	(1,926,141)	(1,729,992)	(52,188)	-	(530,033)
68	Schedule "M" Deductions	126,084,594	912,562	(213,646)	299,184	2,662,915	(1,946,541)
69	Income Before Tax	(25,468,974)	35,240,596	(897,106)	(26,426,917)	(2,662,915)	(893,254)
70							(944,441)
71	State Income Taxes	-	-	-	-	-	-
72	Taxable Income	(25,468,974)	35,240,596	(897,106)	(26,426,917)	(2,662,915)	(893,254)
73							(944,441)
74	Federal Income Taxes + Other	(13,444,798)	12,334,208	(313,987)	(9,249,421)	(932,020)	(1,518,568)

Exhibit No.____(RBD-3)		
Tab 9	Total Tabs 3-9	
Production Factor Adjustment	Normalizing Adjustments	Washington Normalized Results
-	46,553,790	303,193,343
-	-	-
(649,194)	(38,022,954)	36,490,047
(19,237)	(20,009,338)	5,023,296
<u>(668,431)</u>	<u>(11,478,502)</u>	<u>344,706,687</u>
(979,882)	791,165	55,077,435
-	-	-
(121,903)	(199,113)	6,851,973
(1,937,189)	(9,921,077)	108,885,955
(357,065)	(3,804,531)	25,315,268
-	323,126	12,306,712
-	(1,077,779)	7,011,025
-	(8,806,138)	633,445
-	-	-
-	24,824	10,294,370
<u>(3,396,038)</u>	<u>(22,669,522)</u>	<u>226,376,183</u>
(299,560)	(788,827)	37,047,935
-	(577,160)	3,423,669
-	1,695,432	18,890,014
1,154,201	1,143,859	(12,300,939)
-	-	-
-	(313,781)	22,265,977
-	-	-
15,952	(669,964)	(1,054,282)
<u>(2,525,446)</u>	<u>(22,179,964)</u>	<u>294,648,556</u>
<u>1,857,015</u>	<u>10,701,462</u>	<u>50,058,130</u>
(12,145,578)	15,932,098	1,479,658,740
-	-	37,964
(6,730)	(5,634,631)	16,195,615
-	-	-
-	-	-
-	(2,240,510)	(0)
-	(4,907,986)	(0)
-	(7,435,681)	(0)
-	(3,098,081)	-
-	-	2,010,464
-	(102,469)	(0)
<u>(12,152,308)</u>	<u>(7,487,259)</u>	<u>1,497,902,782</u>
4,071,551	5,586,172	(527,836,644)
-	-	(36,329,778)
-	289,481	(172,313,002)
-	103,982	(772,671)
-	(293,988)	(294,740)
-	(3,291,206)	(3,291,206)
56,207	(1,922,118)	(6,568,902)
-	-	-
<u>4,127,758</u>	<u>472,323</u>	<u>(747,406,942)</u>
<u>(8,024,551)</u>	<u>(7,014,936)</u>	<u>750,495,841</u>
0.62%	3.00%	7.62%
(3,995,477)	(18,129,433)	12,947,210
3,011,215	11,531,540	60,023,168
-	239,226	(5,163,591)
-	(1,087,692)	21,873,652
-	(4,238,354)	65,444,166
-	1,714,473	127,799,067
<u>3,011,215</u>	<u>6,427,179</u>	<u>(19,041,795)</u>
-	-	-
<u>3,011,215</u>	<u>6,427,179</u>	<u>(19,041,795)</u>
<u>1,154,201</u>	<u>1,143,859</u>	<u>(12,300,939)</u>