

PACIFICORP
LEVERAGE/BETA ADJUSTMENT TO COMPANY'S COST OF EQUITY CAPITAL

<u>COMPANY</u>	<u>COMMON EQUITY</u>	<u>FIXED INCOME CAPITAL</u>	<u>M/B RATIO</u>	<u>MKT. VALUE DEBT(1-t)/EQ.</u>
Central Vermont P. S.	59.00%	41.00%	1.10	0.41
FPL Group	46.00%	54.00%	2.16	0.35
FirstEnergy Corp.	43.00%	57.00%	1.86	0.46
Green Mountain Power	55.00%	45.00%	1.44	0.37
Progress Energy	42.00%	58.00%	1.37	0.66
Southern Company	41.00%	59.00%	2.41	0.39
Ameren Corp.	52.00%	48.00%	1.74	0.34
Cleco Corporation	51.00%	49.00%	2.05	0.30
Empire District Electric	47.00%	53.00%	1.57	0.47
Entergy Corp.	47.00%	53.00%	1.87	0.39
Hawaiian Electric	29.00%	71.00%	1.73	0.92
PNM Resources	37.00%	63.00%	1.40	0.79
Pinnacle West Capital	48.00%	52.00%	1.29	0.55
AVERAGES	45.92%	54.08%	1.69	0.49
TARGET (MEHC CAP. STRUC.)	29.00%	71.00%	1.69	0.94

AVERAGE (LEVERED) UTILITY BETA = 0.76

$$\text{Beta (Unlevered)} = \text{Beta (Levered)} / (1 + D(1-t)/E)$$

$$\text{Beta (Unlevered)} = 0.76 / (1 + .49) = \quad \quad \quad \mathbf{0.51}$$

$$\text{Beta (Relevered)} = \text{Beta (Unlevered)} * (1 + D(1-t)/E)$$

$$\text{Beta (Relevered)} = 0.51(1.90) = \quad \quad \quad \mathbf{0.99}$$

IMPACT ON COST OF EQUITY CAPITAL

$$\text{Measured Beta} \quad \quad \quad \mathbf{0.76}$$

$$\text{Relevered Beta} \quad \quad \quad \mathbf{0.99}$$

$$[1] \quad \text{Diff. in Beta} \quad \quad \quad \mathbf{0.23}$$

$$[2] \quad \text{Market Risk Premium (rm-rf)} = \quad \quad \quad \mathbf{3\% \text{ to } 6\%}$$

$$\text{Average Cost of equity impact} = [1] \times [2] = \quad \quad \quad \mathbf{0.68\% - 1.50\%}$$

PACIFICORP
RATEMAKNG CAPITAL STRUCTURE
DOUBLE LEVERAGE ADJUSTMENT

PACIFICORP STAND-ALONE RATEMAKING CAPITAL STRUCTURE (from Exhibit __ (SGH-17))

<u>Type of Capital</u>	<u>PERCENT</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
Common Equity	44.00%	9.125%	4.02%
Preferred Stock	1.00%	6.590%	0.07%
Long-term Debt	52.00%	6.427%	3.34%
Short-term Debt	<u>3.00%</u>	3.000%	<u>0.09%</u>
TOTAL CAPITAL	100.00%		7.52%

MEHC POST-ACQUISITION PROJECTED PARENT-ONLY CAPITAL STRUCTURE

<u>Type of Capital</u>	<u>AMOUNT*</u> [000]	<u>PERCENT</u>
Common Equity	\$6,513,400	51.76%
Long-term Debt	<u>\$6,069,300</u>	48.235%
TOTAL CAPITAL	\$12,582,700	

DOUBLE LEVERAGE CAPITAL STRUCTURE FOR PACIFICORP

<u>Type of Capital</u>	<u>PERCENT</u>	<u>COST RATE*</u>	<u>WT. AVG. COST RATE</u>
Parent Equity†	22.78%	10.125%	2.31%
Parent Debt††	21.22%	7.759%	1.65%
Preferred Stock	1.00%	6.590%	0.07%
Long-term Debt	52.00%	6.427%	3.34%
Short-term Debt	<u>3.00%</u>	3.000%	<u>0.09%</u>
TOTAL CAPITAL	100.00%		7.45%

*Data from Docket No. UE-051090, Exhibit No. ____ (PJG-1T), p.5.

†PacifiCorp stand-alone equity ratio (44%) x Equity ratio in MEHC parent-only capital structure (51.76%)

††PacifiCorp stand-alone equity ratio (44%) x Debt ratio in MEHC parent-only capital structure (48.235%)

Parent company cost of debt at 9/30/05 provided in response to Public Counsel Data Request No. 189.