

Exhibit No. ____ (KLE-7)
Docket No. UE-050684
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP, d/b/a Pacific Power &
Light Company,**

Respondent.

DOCKET NO. UE-050684

**EXHIBIT TO
TESTIMONY OF**

Kenneth L. Elgin

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

MEHC Return on Equity @ March 31, 2005
MEHC pro forma Return on Equity @ March 31, 2006

January 27, 2006

1	<u>MEHC RETURN ON EQUITY</u>	March 31, 2005
2		
3	Income from continuing operations	\$ 527,158,000
4	MEHC Book equity	\$3,093,700,000
5		
6	MEHC Return on equity	17.04%
7		
8		
9	<u>MEHC <i>pro forma</i> Return on equity:</u>	March 31, 2006
10		
11	Income from continuing operations	\$ 527,158,000
12	Normalized Pacific operating income	\$ 438,280,000
13	Less: Net of tax incremental interest expense	(\$ 58,347,000) ¹
14		
15	Normalized <i>pro forma</i> MEHC income	
16	From continuing operations	\$ 907,011,000
17		
18	MEHC Book equity	\$3,093,700,000
19	MEHC equity investment	\$3,419,700,000
20		
21	Total <i>pro forma</i> book equity	\$6,513,400,000
22		
23	MEHC <i>pro forma</i> Return on equity	13.93%

¹ 1,709,000,000 @ 5.25% less FIT @ 35%