

**PC REVENUE ADJUSTMENTS, BRIEF
PACIFICORP GRC
DOCKET NO. UE-050684/UE-050412
PAGE 1 OF 6**

Table 1

Net Operating Income Impacts

Results based on Revised Protocol

	Source		Contested/Uncontested
1 Net Operating Income "Unadjusted"	PMW-8	39,077,272	
2			
3 PacifiCorp Adjustments	PMW-8	(5,867,862)	Contested
4			
5 Deferred Debits	BR-11	(38,473)	Contested
6			
7 Acquisition Premium	BR-11	197,472	Contested
8			
9 Major Plant Additions	BR-11	(94,396)	Contested
10			
11 Amortization of Capital Stock Expense	BR-11	106,104	Contested
12			
13 Incentive Compensation	BR-11	580,561	Contested
14			
15 IRS Tax Settlement	BR-11	369,312	Contested
16			
17 State Income Tax Calculation	BR-11	205,830	Contested
18			
19 Income Tax Calculation - AFUDC Equity	BR-11	232,260	Contested
20			
21 Interest Synchronization - Cap Structure	BR-11	<u>542,818</u>	Contested
22			
23			
24 Total Net Operating Income Adjustment		(3,766,374)	
25			
26 Sum of Unadjusted NOI plus Adjustments		<u><u>35,310,898</u></u>	
27			

ATTACHMENT A

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DOCKET NO. UE-050684/UE-050412
PAGE 2 OF 6**

Table 2

Net Rate Base Impacts

Results based on Revised Protocol

	Source		Contested/Uncontested
1 Net Rate Base "Unadjusted"	PMW-8	584,950,445	
2			
3 PacifiCorp Adjustments	PMW-8	15,246,685	Contested
4			
5 Miscellaneous Deferred Debits	BR-11	(3,192,969)	Contested
6			
7 Acquisition Premium	BR-11	(7,969,000)	Contested
8			
9 Major Plant Additions	BR-11	(31,162,634)	Contested
10			
11 IRS Tax Settlement	BR-11	<u>(1,551,000)</u>	Contested
12			
13			
14 Total Net Rate Base Adjustments		(28,628,917)	
15			
16 Sum of Unadjusted Net Rate Base plus Adjustments		<u><u>556,321,528</u></u>	

ATTACHMENT A

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PACIFICORP GRC
DOCKET NO. UE-050684/UE-050412
PAGE 3 OF 6**

**Table 3
Rate of Return**

Weighted Average Cost of Capital

		Staff Proposal			
1	Type of Capital	Capital Structure	Rate	Weighted Cost	Debt Rate
2	Long-term Debt	52.00%	6.427%	3.34204%	
3	MEHC Double Leverage adjustment			0.00000%	
4	Short term Debt	3.00%	3.000%	0.09000%	3.4320%
5	Preferred Stock	1.00%	6.590%	0.06590%	
6	Common Stock	<u>44.00%</u>	9.125%	<u>4.01500%</u>	
7	Weighted Average Cost of Capital	100.00%		<u>7.5129%</u>	

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DOCKET NO. UE-050684/UE-050412
PAGE 4 OF 6**

Table 4

Conversion Factor

1	Operating Revenue		100.0000%	
2	Operating Revenue Deductions:			
3		Uncollectible Accounts	0.3570%	
4		Franchise Tax	0.0000%	
5		WA Revenue Tax	3.8730%	
6		WUTC Fee	0.1900%	
7	Sub-Total		<u>95.5800%</u>	
8		State Income Tax	4.3393%	4.540%
9	Sub-Total		<u>91.2407%</u>	
10		Federal Income Tax @ 35%	31.9342%	
11	Net Operating Income Conversion Factor		<u><u>59.30643%</u></u>	
12	Company uses inverse known as "Net to Gross Bump-up".		168.61578%	
13				
14	Revenue Sensitive Tax Rates			
15		FIT	35%	
16		customer accounting	0.3570%	
17		other taxes	4.0630%	
		Combined Income Tax Rate	37.951%	

ATTACHMENT A

Table 5
Calculation of Net Operating Income Deficiency or (Excess):

		Cite Source
1 Net Rate Base - Washington Jurisdiction	556,321,528	Table 2
2 Proposed Rate of Return	7.5129%	Table 3
3 Net Operating Income Requirement	41,795,880	Line 1 X Line 2
4 Proforma Net Operating Income	35,310,898	Table 1
5 Recommended Increase (Decrease) in Net Operating Income	6,484,982	Line 3 - Line 4

ATTACHMENT A

**Table 6
Revenue Requirement Calculation**

1	Net Operating Income Excess	6,484,982
2	NOI > Revenue Conversion Factor	59.30643%
3	Revenue Requirement Increase (Decrease) (line e/line f)	10,934,704

ATTACHMENT A