

**PC REVENUE ADJUSTMENTS WITH DOUBLE LEVERAGE, BRIEF
PACIFICORP GRC
DOCKET NO. UE-050684/UE-050412
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Table 1
Results based on Revised Protocol

Net Operating Income Impacts

	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
#			
# Amortization of Capital Stock Expense	BR-11	106,104	Contested
#			
# Incentive Compensation	BR-11	580,561	Contested
#			
# IRS Tax Settlement	BR-11	369,312	Contested
#			
# State Income Tax Calculation	BR-11	205,830	Contested
#			
# Income Tax Calculation - AFUDC Equity	BR-11	232,260	Contested
#			
# Interest Synchronization - Cap Structure	BR-11	542,818	Contested
#			
# Interest Synch. - Double Leverage	BR-11	3,476,164	Contested
	Effron. Supp.		
# Total Net Operating Income Adjustment		(290,210)	
#			
# Sum of Unadjusted NOI plus Adjustments		<u>38,787,062</u>	
#			
#			

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Table 2

Net Rate Base Impacts

Results based on Revised Protocol

	Soucre		Contested/Unconteste
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**Table 3
Rate of Return**

Weighted Average Cost of Capital

		Staff Proposal			
	Type of Capital	Capital Structure	Rate	Weighted Cost	Debt Rate
1					
2	Long-term Debt	52.00%	6.427%	3.34204%	
3	MEHC Double Leverage adjustment	21.22%	7.759%	1.64646%	
4	Short term Debt	3.00%	3.000%	0.09000%	5.0785%
5	Preferred Stock	1.00%	6.590%	0.06590%	
6	Common Stock	<u>22.78%</u>	10.125%	2.30648%	
7	Weighted Average Cost of Capital	100.00%		<u>7.4509%</u>	

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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%	

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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	7.4509% Table 3
3	Net Operating Income Requirement	41,450,961 Line 1 X Line 2
4	Proforma Net Operating Income	38,787,062 Table 1
5	Recommended Increase (Decrease) in Net Operating Income	2,663,899 Line 3 - Line 4

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**Table 6
Revenue Requirement Calculation**

1	Net Operating Income Excess	2,663,899
2	NOI > Revenue Conversion Factor	59.30643%
3	Revenue Requirement Increase (Decrease) (line e/line f)	4,491,754

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