

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	
)	
vs.)	Docket No. UE-061546
)	
PACIFICORP d/b/a PACIFIC POWER &)	
LIGHT COMPANY)	
)	
Respondent.)	
_____)	
)	
In the Matter of the Petition of)	
)	
PACIFIC POWER & LIGHT COMPANY)	
)	
For an Accounting Order Approving Deferral)	Docket No. UE-060817
of Certain Costs Related to the MidAmerican)	
Energy Holdings Company Transition.)	
_____)	

EXHIBIT NO. ___(MPG-4)
INCOME TAX EXPENSE ADJUSTMENT

February 16, 2007

PACIFICORP
Washington - Retail

Income Tax Expense Adjustment

<u>Line</u>	<u>Description</u>	<u>PacifiCorp - Washington Total Adjusted Results (1)</u>	<u>PacifiCorp - Washington Total with MEHC Interest Adjustment (2)</u>
1	Total Operating Revenue	\$ 309,161,393	\$ 309,161,393
2	Total O&M	\$ 225,752,925	\$ 225,752,925
3	Depreciation & Amortization	32,574,147	32,574,147
4	Other Taxes	12,766,082	12,766,082
5	Income Tax	2,564,719	650,474
6	Deferred Tax	5,647,706	5,647,706
7	Miscellaneous	<u>(399,649)</u>	<u>(399,649)</u>
8	Total Operating Expenses	\$ 278,905,930	\$ 276,991,685
9	Revenue For Return	\$ 30,255,463	\$ 32,169,708
10	Rate Base	\$ 554,460,866	\$ 554,460,866
11	Rate of Return on Rate Base	5.457%	5.802%
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12	Earnings Before Interest and Taxes	\$ 38,467,888	\$ 38,467,888
13	Interest - PacifiCorp	\$ 18,311,064	\$ 18,311,064
14	Schedule M Additions	\$ 42,128,812	\$ 42,128,812
15	Schedule M Deductions	\$ 53,160,562	\$ 53,160,562
16	Taxable Income	\$ 9,125,074	\$ 9,125,074
17	MEHC Allocated Interest Expense ¹	\$ -	\$ 5,469,271
18	Adjusted Taxable Income	\$ 9,125,074	\$ 3,655,803
19	Fed Tax Rate	35.0%	35.0%
20	Income Tax - Calculated	\$ 3,193,776	\$ 1,279,531
21	Adjustments To Calculated Tax	<u>\$ (629,057)</u>	<u>\$ (629,057)</u>
22	Income Tax	\$ 2,564,719	\$ 650,474

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PACIFICORP
Washington - Retail

Income Tax Expense Adjustment

<u>Line</u>	<u>Description</u>	<u>Per PacifiCorp Amount (1)</u>	<u>With MEHC Interest Tax Adjustment (2)</u>
1	Rate Base - Washington	\$ 554,460,866	\$ 554,460,866
2	Requested Return on Rate Base	8.06%	8.06%
3	Revenue Required to Earn Requested Return	\$ 44,684,550	\$ 44,684,550
4	Earned Rate of Return (Page 1)	5.457%	5.802%
5	Less Current Operating Revenue	\$ 30,255,463	\$ 32,169,708
6	Increase to Current Operating Revenue	\$ 14,429,086	\$ 12,514,842
7	Net to Gross-Up	1.6086	1.6086
8	Price Change For Requested Return	\$ 23,210,628	\$ 20,131,374
9	Revenue Adjustment		\$ 3,079,254

PACIFICORP
Washington - Retail

Income Tax Expense Adjustment

PacifiCorp Capital Structure

<u>Line</u>	<u>Description</u>	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Debt	53.00%	6.23%	3.30%
2	Preferred	1.00%	6.46%	0.06%
3	Common	<u>46.00%</u>	10.20%	<u>4.69%</u>
4	Total	100.00%		8.06%

MEHC Equity Capitalization

	<u>MEHC Parent Capital</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
5	Parent Company Debt	34.31%	6.25%	2.144%
6	Common Equity	<u>65.69%</u>		
7	Total	100.00%		

MEHC Debt Interest Supporting PacifiCorp Equity

8	PacifiCorp Washington Rate Base	\$	554,460,866
9	PacifiCorp Common Equity Ratio		46.00%
10	MEHC Parent Debt Ratio		34.31%
11	MEHC Parent Debt Cost		6.25%
12	MEHC Interest Supporting PacifiCorp Equity ¹	\$	5,469,271

¹ Line 8 * Line 9 * line 10 * Line 11