

February 8, 2013

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Attention: David W. Danner  
Executive Director and Secretary

**RE: UE-130043 – Supplemental Exhibit No.\_\_(DKS-2)**

PacifiCorp d/b/a Pacific Power & Light Company (Company) submits for filing Exhibit No.\_\_(DKS-2). This exhibit was referred to in the direct testimony of Douglas K. Stuver, Exhibit No.\_\_(DKS-1T) at page 2, but inadvertently omitted from the Company's initial filing. This exhibit was included in the initial filing in Exhibit No.\_\_(SRM-3) in the Miscellaneous Rate Base Adjustments tab (page 8.13.1). Workpapers for this exhibit were also provided on CD with the initial filing.

Please direct any informal inquiries regarding this filing to Bryce Dalley, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6389.

Sincerely,



William R. Griffith  
Vice President, Regulation

Enclosures

cc: Service List UE-130043



**Adjustments to working capital calculation**

	Current Asset	Current Liability	Investments	Invested Capital	ISWC	WA investment allocation %	Impact to WA ISWC
Unadjusted balances	1,199,405,263	(1,075,485,367)	13,965,902,749	14,089,822,645	123,919,896	5.62%	6,987,515
<b>Basic approach, only make changes to the larger items</b>							
Adjustments:							
Reclassify derivative assets and liabilities from current to investments (1)	(26,991,138)	255,189,460	(228,198,322)	0	228,198,322	5.62%	12,830,669
Reclassify pension and OPEB from investments to current (2)	650,332,517	(412,957,521)	(237,374,996)	0	237,374,996	5.62%	13,346,636
Reclassify deferred taxes of pension and OPEB from investments to current (3)	146,766,081	(253,329,897)	106,563,816	0	(106,563,816)	5.62%	(5,981,653)
Reclassify current frozen mark accounts from current to investment (4)	(1,250,812)	11,691,273	(10,440,462)	0	10,440,462	5.62%	587,025
Gross Adjustments	768,856,648	(399,406,694)	(369,449,964)	0	369,449,964		20,772,678
Adjustment based on increase to WA investment allocation % based on reduction in overall investments (5)						0.15%	763,771
Adjusted balances	1,968,261,912	(1,474,892,052)	13,596,452,785	14,089,822,645	493,369,860	5.78%	28,493,964
Incremental increase to rate base	<b>768,856,648</b>	<b>(399,406,694)</b>	<b>(369,449,964)</b>	<b>0</b>	<b>369,449,964</b>		<b>21,526,449</b>

**1) Reclassified the derivative assets and liabilities from current assets and liabilities to investments**

All derivative instruments were originally classified as either current assets or current liabilities and are net of any cash collateral outstanding. However, the associated regulatory asset for the derivative instruments, which is not included in rate base, was recorded in the investments column. PacifiCorp believes that the regulatory asset should be recorded in same column as the derivative instruments, either current assets or investments, to properly reflect the offset.

As the net balance sheet amount of the derivative accounts (i.e., instruments, cash collateral outstanding and regulatory asset) primarily represents the net amount of cash collateral posted or received, PacifiCorp believes that all derivative associated accounts should be recorded in the investment column. This position is based on some amount of interest being applied to all cash collateral posted or received. This approach is consistent with the treatment of temporary investments.

**2) Reclassified the amounts related to pension and other postretirement obligations from investments to current assets and liabilities**

By placing the pension and other postretirement liabilities and regulatory assets in current assets and liabilities, rather than investments more appropriately reflects the economics of the balances.

**3) Reclassified the deferred taxes of pension and OPEB from investments to current assets and liabilities**

Under the current model, all accumulated deferred income tax balances are included in the investments column. In conjunction with reclassifying pension and OPEB liabilities and their associated regulatory asset balances to the current assets and current liabilities columns, the associated accumulated deferred income taxes should also be reclassified to the current assets and current liabilities columns.

**4) Reclassified the regulatory asset and non-current portion of frozen MTM asset and liability from investments to current assets and liabilities**

Amounts related to the frozen marks include a current asset, non-current asset, current liability, non-current liability and an offsetting net regulatory asset as these are non-cash accounts that do not impact the P/L. PacifiCorp believes that all amounts related to the frozen marks should be included in either the current or investment column and not impact the new working capital adjustment. Historically only the current asset and current liability were classified as current in the working capital analysis. To be consistent with treatment of derivative, the current portions should be moved from current assets and liabilities to investments.

**5) Adjustment based on change to WA investment allocation %**

None of the investments reclassified to current assets and liabilities have been allocated to WA. Therefore, the WA investment allocation percentage has increased as the amount of total company-wide investments has been reduced while the amount of WA allocated investments has remained constant. In addition, PacifiCorp include in the WA allocated investments WA's share of balances, that are not currently earning a return, that were classified as "non-utility", only as a result of being recovered outside the GRC. As no return is provided on those amounts, WA's share of those balance should be included in the WA allocated investment to allow for PacifiCorp's financing costs.

## CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing document, via E-mail, to the following:

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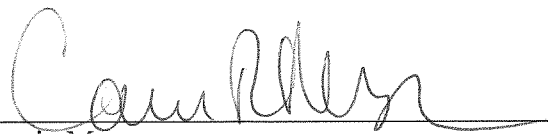
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DATED this 8<sup>th</sup> of February 2013.



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