

Exhibit ___ (KLE-3)
Docket UE-061546
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

vs.

PACIFICORP dba Pacific Power & Light
Company,

Respondent.

DOCKET UE-061546

In the Matter of the Petition of

PACIFIC POWER & LIGHT COMPANY

For an Accounting Order Approving Deferral
of Certain Costs Related to the MidAmerican
Energy Holdings Company Transition.

DOCKET UE-060817

**EXHIBIT TO
TESTIMONY OF**

Kenneth L. Elgin

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Coverage Analysis

February 16, 2007

PacifiCorp PCAM Coverage Analysis

Benchmark Coverage Ratio

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1 Power Supply Costs Higher Than Baseline (Assumption) \$13,000,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed

2	First		3,000,000	100%	3,000,000
3	Next	3,000,001	To 7,400,000	100%	4,400,000
4	Over	7,400,001		100%	5,600,000
5			Total Expense Adsorbed		<u>13,000,000</u>
6			NOI Impact		-\$8,450,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	<u>-8,450,000</u>
11	NOI with PCAM	<u>\$34,671,000</u>

12	Resulting ROR @ Power Cost Deviation	6.48%
13	ROE @ Power Cost Deviation	6.77%
14	Resulting Interest Coverage (Line 15)	2.48

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.48
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	6.77%	3.12%	
19	TOTAL	100.00%		6.48%	

PacifiCorp PCAM Coverage Analysis

Benchmark Coverage Ratio - Interim

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1 Power Supply Costs Higher Than Baseline (Assumption) \$20,000,000

Sharing Bands (Company Absorbs):

				Total PC Expense
				Absorbed
2	First		3,000,000	100%
3	Next	3,000,001	To 7,400,000	100%
4	Over	7,400,001		100%
5	Total Expense Adsorbed			20,000,000
6	NOI Impact			-\$13,000,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-13,000,000
11	NOI with PCAM	\$30,121,000

12	Resulting ROR @ Power Cost Deviation	5.63%
13	ROE @ Power Cost Deviation	4.92%
14	Resulting Interest Coverage (Line 15)	2.09

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.09
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	4.92%	2.27%	
19	TOTAL	100.00%		5.63%	

PacifiCorp PCAM Coverage Analysis

\$3 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption) \$3,000,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		3,000,000	100%	3,000,000
3	Next	3,000,001	To 7,400,000	40%	0
4	Over	7,400,001		10%	0
5			Total Expense Adsorbed		3,000,000
6			NOI Impact		-\$1,950,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-1,950,000
11	NOI with PCAM	<u>\$41,171,000</u>

12	Resulting ROR @ Power Cost Deviation	7.70%
13	ROE @ Power Cost Deviation	9.42%
14	Resulting Interest Coverage (Line 15)	3.05

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	3.05
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	9.42%	4.33%	
19	TOTAL	100.00%		7.70%	

PacifiCorp PCAM Coverage Analysis

\$4.7 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption)

\$7,400,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		3,000,000	100%	3,000,000
3	Next	3,000,001	To 7,400,000	40%	1,760,000
4	Over	7,400,001		10%	0
5			Total Expense Adsorbed		4,760,000
6			NOI Impact		-\$3,094,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-3,094,000
11	NOI with PCAM	<u>\$40,027,000</u>

12	Resulting ROR @ Power Cost Deviation	7.48%
13	ROE @ Power Cost Deviation	8.95%
14	Resulting Interest Coverage (Line 15)	2.95

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.95
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	8.95%	4.12%	
19	TOTAL	100.00%		7.48%	

PacifiCorp PCAM Coverage Analysis

\$12.4 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption) \$12,400,000

Sharing Bands (Company Absorbs):

				Total PC Expense Absorbed W/Sharing	
2	First		3,000,000	100%	3,000,000
3	Next	3,000,001	To 7,400,000	40%	1,760,000
4	Over	7,400,001		10%	500,000
5			Total Expense Adsorbed		5,260,000
6			NOI Impact		-\$3,419,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-3,419,000
11	NOI with PCAM	\$39,702,000

12	Resulting ROR @ Power Cost Deviation	7.42%
13	ROE @ Power Cost Deviation	8.82%
14	Resulting Interest Coverage (Line 15)	2.92

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.92
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	8.82%	4.06%	
19	TOTAL	100.00%		7.42%	

PacifiCorp PCAM Coverage Analysis

\$17.4 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption) \$17,400,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		3,000,000	100%	3,000,000
3	Next	3,000,001	To 7,400,000	40%	1,760,000
4	Over	7,400,001		10%	1,000,000
5			Total Expense Adsorbed		<u>5,760,000</u>
6			NOI Impact		-\$3,744,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	<u>-3,744,000</u>
11	NOI with PCAM	<u>\$39,377,000</u>

12	Resulting ROR @ Power Cost Deviation	7.36%
13	ROE @ Power Cost Deviation	8.69%
14	Resulting Interest Coverage (Line 15)	2.89

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.89
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	8.69%	4.00%	
19	TOTAL	100.00%		7.36%	

Staff PCAM Coverage Analysis

\$4 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption)

\$4,000,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	0
4	Over	10,000,001		10%	0
5			Total Expense Adsorbed		4,000,000
6			NOI Impact		-\$2,600,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-2,600,000
11	NOI with PCAM	<u>\$40,521,000</u>

12	Resulting ROR @ Power Cost Deviation	7.57%
13	ROE @ Power Cost Deviation	9.15%
14	Resulting Interest Coverage (Line 15)	2.99

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.99
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	9.15%	4.21%	
19	TOTAL	100.00%		7.57%	

Staff PCAM Coverage Analysis

\$10 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption) \$10,000,000

Sharing Bands (Company Absorbs):

				Total PC Expense Absorbed W/Sharing	
2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	3,000,000
4	Over	10,000,001		10%	0
5			Total Expense Adsorbed		<u>7,000,000</u>
6			NOI Impact		-\$4,550,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-4,550,000
11	NOI with PCAM	<u>\$38,571,000</u>

12	Resulting ROR @ Power Cost Deviation	7.21%
13	ROE @ Power Cost Deviation	8.36%
14	Resulting Interest Coverage (Line 15)	2.82

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.82
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	8.36%	3.84%	
19	TOTAL	100.00%		<u>7.21%</u>	

Staff PCAM Coverage Analysis

\$15 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption) \$15,000,000

Sharing Bands (Company Absorbs):

				Total PC Expense Absorbed W/Sharing	
2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	3,000,000
4	Over	10,000,001		10%	500,000
5			Total Expense Adsorbed		<u>7,500,000</u>
6			NOI Impact		-\$4,875,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-4,875,000
11	NOI with PCAM	<u>\$38,246,000</u>

12	Resulting ROR @ Power Cost Deviation	7.15%
13	ROE @ Power Cost Deviation	8.23%
14	Resulting Interest Coverage (Line 15)	2.79

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	2.79
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	46.00%	8.23%	3.78%	
19	TOTAL	100.00%		7.15%	

Staff PCAM Coverage Analysis

\$17.4 Million Adverse Power Costs

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1 Power Supply Costs Higher Than Baseline (Assumption)

\$17,400,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	3,000,000
4	Over	10,000,001		10%	740,000
5			Total Expense Adsorbed		<u>7,740,000</u>
6			NOI Impact		-\$5,031,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-5,031,000
11	NOI with PCAM	<u>\$38,090,000</u>

12	Resulting ROR @ Power Cost Deviation	7.12%
13	ROE @ Power Cost Deviation	8.16%
14	Resulting Interest Coverage (Line 15)	2.78

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	50.00%	6.33%	3.17%	<u>2.78</u>
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.59%	0.07%	
18	EQUITY	46.00%	<u>8.16%</u>	3.75%	
19	TOTAL	100.00%		<u>7.12%</u>	

Staff PCAM Coverage Analysis

Coverage @ 57% Debt, 43% Equity

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1 Power Supply Costs Higher Than Baseline (Assumption)

\$25,000,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	3,000,000
4	Over	10,000,001		10%	1,500,000
5			Total Expense Adsorbed		8,500,000
6			NOI Impact		-\$5,525,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	-5,525,000
11	NOI with PCAM	<u>\$37,596,000</u>

12	Resulting ROR @ Power Cost Deviation	7.03%
13	ROE @ Power Cost Deviation	8.12%
14	Resulting Interest Coverage (Line 15)	2.50

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	54.00%	6.33%	3.42%	2.50
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	42.00%	8.12%	3.41%	
19	TOTAL	100.00%		7.03%	

Staff PCAM Coverage Analysis

Cost of Capital Adjustment

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1 Power Supply Costs Higher Than Baseline (Assumption) \$10,000,000

Sharing Bands (Company Absorbs):

Total PC Expense
Absorbed W/Sharing

2	First		4,000,000	100%	4,000,000
3	Next	4,000,001	To 10,000,000	50%	3,000,000
4	Over	10,000,001		10%	0
5			Total Expense Adsorbed		<u>7,000,000</u>
6			NOI Impact		-\$4,550,000

7	Washington Rate Base	\$535,000,000
8	Pre-PCAM ROR	8.06%
9	NOI Requirement @ 8.06%	\$43,121,000
10	NOI Impact of PCAM Mechanism (Line 6)	<u>-4,550,000</u>
11	NOI with PCAM	<u>\$38,571,000</u>

12	Resulting ROR @ Power Cost Deviation	7.21%
13	ROE @ Power Cost Deviation	8.55%
14	Resulting Interest Coverage (Line 15)	2.58

	RATE OF RETURN: (With PCAM Absorbtion)	Capital Structure	Return Rate	Overall Rate Of Return	Interest Coverage
15	LONG TERM DEBT	54.00%	6.33%	3.42%	2.58
16	SHORT TERM DEBT	3.00%	4.50%	0.14%	
17	PREFERRED STOCK	1.00%	6.46%	0.06%	
18	EQUITY	<u>42.00%</u>	<u>8.55%</u>	3.59%	
19	TOTAL	100.00%		7.21%	