

Exhibit \_\_\_ (TES-2)  
Docket UE-061546  
Witness: Thomas E. Schooley

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**

**Thomas E. Schooley**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Revenue Requirements Presentation*

**February 16, 2007**

**PacifiCorp Results of Operations For Ratemaking Purposes  
For The Twelve Months Ended March 2006 - Washington**

	(1) Unadjusted Results	(2) Ratemaking Adjustments	(3) Total Adjusted at Present Rates	(4) Per Staff 5.41%	(5) Results With Price Change
<b>Operating Revenues:</b>					
1 General Business Revenues	\$216,563,926	\$10,000,070	\$226,563,996	\$12,251,343	\$238,815,339
2 Interdepartmental	0	\$0	0	0	0
3 Special Sales	70,040,265	(\$2,408,487)	67,631,778	0	67,631,778
4 Other operating revenues	12,858,150	(\$425,515)	12,432,635	0	12,432,635
5 <b>Total Operating Revenues</b>	<b>\$299,462,341</b>	<b>\$7,166,068</b>	<b>\$306,628,409</b>	<b>\$12,251,343</b>	<b>\$318,879,752</b>
<b>Operating Expenses:</b>					
8 Steam Production	39,215,319	(\$173,833)	39,041,486		39,041,486
9 Nuclear Production	0	\$0	0		0
10 Hydro Production	5,398,239	(\$88,290)	5,309,949		5,309,949
11 Other Power Supply	106,559,228	\$14,420,731	120,979,959		120,979,959
12 Transmission	19,293,803	(\$315,554)	18,978,249		18,978,249
13 Distribution	11,409,387	(\$15,539)	11,393,848		11,393,848
14 Customer Accounting	7,937,764	(\$103,271)	7,834,493	59,419	7,893,912
15 Customer Service & Info	5,471,850	(\$4,960,687)	511,163		511,163
16 Sales	0	\$0	0		0
17 Administrative & General	17,593,731	(\$3,475,269)	14,118,462		14,118,462
18 <b>Total O&amp;M Expense</b>	<b>212,879,321</b>	<b>5,288,288</b>	<b>218,167,609</b>	<b>59,419</b>	<b>218,227,028</b>
19 Depreciation	28,733,363	(\$390,322)	28,343,041		28,343,041
20 Amortization	4,314,307	(\$398,417)	3,915,890		3,915,890
21 Taxes Other than Income	13,139,570	(\$421,840)	12,717,730	497,772	13,215,502
22 Income Taxes: Federal	4,490,665	(\$360,986)	4,129,679	4,092,953	8,222,632
23 : State	0	\$0	0	0	0
24 Deferred Income Taxes	6,573,773	(\$1,488,593)	5,085,180		5,085,180
25 Investment Tax Credit Adj.	0	\$0	0		0
26 Misc. Revenue & Expense	(2,408,092)	\$2,008,335	(399,757)		(399,757)
27 <b>Total Operating Expenses:</b>	<b>267,722,907</b>	<b>4,236,465</b>	<b>271,959,372</b>	<b>4,650,144</b>	<b>276,609,516</b>
28					
29 <b>Operating Revenue for Return:</b>	<b>\$31,739,434</b>	<b>\$2,929,603</b>	<b>\$34,669,037</b>	<b>\$7,601,199</b>	<b>\$42,270,236</b>
30					
<b>Rate Base:</b>					
31					
32 Electric Plant in Service	1,054,370,908	\$3,713,521	1,058,084,429		1,058,084,429
33 Plant Held for Future Use	1,572	(\$26)	1,546		1,546
34 Misc. Deferred Debits	2,814,534	(\$1,446,125)	1,368,409		1,368,409
35 Electric Plant Acq Adj	0	\$0	0		0
36 Nuclear Fuel	0	\$0	0		0
37 Prepayments	2,621,932	(\$2,644,180)	(22,248)		(22,248)
38 Fuel Stock	2,516,964	(\$2,516,964)	0		0
39 Material & Supplies	7,027,466	(\$7,084,001)	(56,535)		(56,535)
40 Working Capital	4,014,806	\$4,244,617	8,259,423		8,259,423
41 Weatherization Loans	2,256,731	\$0	2,256,731		2,256,731
42 Misc. Rate Base	394,024	(\$394,024)	0		0
43 <b>Total Electric Plant:</b>	<b>1,076,018,937</b>	<b>(6,127,182)</b>	<b>1,069,891,755</b>	<b>0</b>	<b>1,069,891,755</b>
44					
<b>Deductions:</b>					
45					
46 Accum. Prov. for Depreciation	(423,740,177)	\$19,122,777	(404,617,400)		(404,617,400)
47 Accum. Prov. for Amortization	(27,862,556)	\$254,859	(27,607,697)		(27,607,697)
48 Accum. Deferred Income Tax	(79,425,339)	(\$10,497,066)	(89,922,405)		(89,922,405)
49 Unamortized ITC	(1,914,487)	\$365,750	(1,548,737)		(1,548,737)
50 Customer Advances for Const.	(984,551)	\$984,551	0		0
51 Customer Service Deposits	0	(\$2,001,969)	(2,001,969)		(2,001,969)
52 Miscellaneous Deductions	(7,140,575)	(\$2,287,924)	(9,428,499)		(9,428,499)
53					
54 <b>Total Rate Base Deductions:</b>	<b>(541,067,685)</b>	<b>5,940,978</b>	<b>(535,126,707)</b>	<b>0</b>	<b>(535,126,707)</b>
55					
56 <b>Total Rate Base:</b>	<b>534,951,252</b>	<b>(186,204)</b>	<b>534,765,048</b>	<b>0</b>	<b>534,765,048</b>
57					
58 <b>Return on Rate Base</b>	<b>5.933%</b>		<b>6.483%</b>		<b>7.904%</b>

**PacifiCorp Results of Operations For Ratemaking Purposes  
 For The Twelve Months Ended March 2006 - Washington**

	(1) Unadjusted Results	(2) Ratemaking Adjustments	(3) Total Adjusted at Present Rates	(4) Per Staff	(5) Results With Price Change
59					
60					
61 TAX CALCULATION		State Income Tax Rate		0.00%	
62		Federal Income Tax Rate		35.00%	
63					
64 Operating Revenue	42,803,872	1,080,024	43,883,896	11,694,152	55,578,048
65 Other Deductions					
66 Interest (AFUDC)	0	\$0	0	0	0
67 Interest	17,657,050	(\$105,430)	17,551,620	0	17,551,620
68 Schedule "M" additions	40,792,555	\$1,030,852	41,823,407	0	41,823,407
69 Schedule "M" deductions	51,800,867	\$1,450,389	53,251,256	0	53,251,256
70					
71 Income Before Tax	14,138,510	765,917	14,904,427	11,694,152	(57,048,235)
72 State Income Tax	0	\$0	0	0	0
73 Taxable Income	14,138,510	765,917	14,904,427	11,694,152	(57,048,235)
74 Adjustments to FIT	0	(\$629,057)	(629,057)	0	(629,057)
75 Federal Income Tax-Current	4,948,479	(360,986)	4,587,493	4,092,953	8,680,446

**Calculation of Revenue Requirement Deficiency or (Excess):**

a) Net Rate Base - Washington Jurisdiction	534,765,048
b) Proposed Rate of Return	7.9045%
c) Net Operating Income Requirement	42,270,236
d) Proforma Net Operating Income	34,669,037
e) Net Operating Income Deficiency	7,601,199
f) NOI > Revenue Conversion Factor	62.0438%
g) Revenue Requirement Deficiency (line e/line f)	<u><u>\$ 12,251,343</u></u>

PacifiCorp General Rate Case  
**Conversion Factor**

		Nominal Tax Rate
Operating Revenue	100.0000%	
Operating Revenue Deductions:		
Uncollectible Accounts	0.4850%	
Franchise Tax	0.0000%	
WA Revenue Tax	3.8730%	
WUTC Fee	0.1900%	corrected
Sub-Total	95.4520%	
State Income Tax	0.0000%	0.000%
Sub-Total	95.4520%	
Federal Income Tax @ 35%	33.4082%	35%
<b>Net Operating Income Conversion Factor</b>	<u><u>62.0438%</u></u>	
Company uses inverse known as "Net to Gross Bump-up".	161.17646%	

Revenue Sensitive Tax Rates

customer accounting	0.4850%
other taxes	4.0630%

**STAFF PROPOSED**

**Weighted Average Cost of Capital**

With PCAM Risk Offset

	<u>Type of Capital</u>	<u>Cap. Structure</u>		<u>Weighted Cost</u>	<u>Debt Rate</u>
1					
2	Long-term Debt	54.00%	6.335%	3.421%	
3	Short term Debt	3.00%	4.500%	0.135%	3.556%
4	Preferred Stock	1.00%	6.455%	0.065%	
5	Common Stock	42.00%	10.200%	4.284%	
6	Weighted Average Cost of Capital	100.00%		<u>7.90%</u>	
7					
8					

**PacifiCorp**  
State of Washington

**Adjustment 7.1, Interest True-up**

1	Jurisdiction Specific Adjusted Rate Base	\$	534,765,048	
2	Add Adj. 3.6 back to rate base	\$	1,457,588	
3	Rate Base	\$	536,222,636	
4	Weighted Cost of Debt		3.556%	
5	Pro forma interest Expense	\$	19,067,541	
6	Actual Interest Expense	\$	18,965,090	1*
7	Increase/(decrease) interest expense	\$	102,451	to adj. 7.1

1\* Exhibit \_\_\_ (PMW-4) at page 2.17, line 1229

PacifiCorp  
State of Washington

Electric Utility Results of Operations  
for the twelve months ended September 2004

	Total Ratemaking Adjustments	3.1 Temperature Normalization	3.2 ProForma Load Reduction	3.3 Revenue Normalizing	3.4 Centralia Gain	3.5 Pole Attachment Revenue	3.6 SO2 Emission Allowances
<b>Operating Revenues:</b>							
1 General Business Revenues	10,000,070	(220,437)	(3,906,382)	14,126,889			
2 Interdepartmental							
3 Special Sales	(2,408,487)						
4 Other operating revenues	(425,515)				(1,130,292)	(799,078)	
5 Total Operating Revenues	7,166,068	(220,437)	(3,906,382)	14,126,889	(1,130,292)	(799,078)	-
<b>Operating Expenses:</b>							
8 Steam Production	(173,833)						
9 Nuclear Production	-						
10 Hydro Production	(88,290)						
11 Other Power Supply	14,420,731						
12 Transmission	(315,554)						
13 Distribution	(15,539)						
14 Customer Accounting	(103,271)						
15 Customer Service & Info	(4,960,687)						
16 Sales	-						
17 Administrative & General	(3,475,269)						
18 Total O&M Expense	5,288,288						
19 Depreciation	(390,322)						
20 Amortization	(398,417)						
21 Taxes Other than Income	(421,840)						
22 Income Taxes: Federal	(360,986)	(77,153)	(1,367,234)	4,944,411	(395,602)	(279,677)	(0)
23 : State							
24 Deferred Income Taxes	(1,488,593)						(762,200)
25 Investment Tax Credit Adj.	-						2,008,443
26 Misc. Revenue & Expense	2,008,335						1,246,243
27 Total Operating Expenses:	4,236,465	(77,153)	(1,367,234)	4,944,411	(395,602)	(279,677)	1,246,243
28							
29 Net Operating Income:	2,929,603	(143,284)	(2,539,148)	9,182,478	(734,690)	(519,401)	(1,246,243)
<b>Rate Base:</b>							
32 Electric Plant in Service	3,713,521						
33 Plant Held for Future Use	(26)						
34 Misc. Deferred Debits	(1,446,125)						
35 Electric Plant Acq Adj	-						
36 Nuclear Fuel	-						
37 Prepayments	(2,644,180)						
38 Fuel Stock	(2,516,964)						
39 Material & Supplies	(7,084,001)						
40 Working Capital	4,244,617						
41 Weatherization Loans	-						
42 Misc. Rate Base	(394,024)						
43 Total Electric Plant:	(6,127,182)						
<b>Deductions:</b>							
46 Accum. Prov. for Depreciation	19,122,777						
47 Accum. Prov. for Amortization	254,859						1,930,860
48 Accum. Deferred Income Tax	(10,497,066)						
49 Unamortized ITC	365,750						
50 Customer Advances for Const.	984,551						
51 Customer Service Deposits	(2,001,969)						(3,388,448)
52 Miscellaneous Deductions	(2,287,924)						
53							
54 Total Deductions:	5,940,978						(1,457,588)
55							
56 Total Rate Base:	(186,204)						(1,457,588)
<b>TAX CALCULATION</b>							
60							
61 Per Company							
62							
63 Operating Revenue	1,080,024	(220,437)	(3,906,382)	14,126,889	(1,130,292)	(799,078)	(2,008,443)
64 Other Deductions	-						
65 Interest (AFUDC)	-						
66 Interest	(105,430)						2,449,857
67 Schedule "M" additions	1,030,852						441,415
68 Schedule "M" deductions	1,450,389						
69							
70 Income Before Tax	765,917	(220,437)	(3,906,382)	14,126,889	(1,130,292)	(799,078)	(1)
71 State Income Tax	-						(1)
72 Taxable Income	765,917	(220,437)	(3,906,382)	14,126,889	(1,130,292)	(799,078)	(1)
73 Adjustments to FIT	(629,057)						
74 Federal Income Tax	(360,986)	(77,153)	(1,367,234)	4,944,411	(395,602)	(279,677)	(0)



PacifiCorp  
State of Washington

	4.1 Green Tag Removal	4.2 Miscellaneous Gen. Expense	4.3 International Assignees	4.4 Out of Period	4.5 Property Insurance	4.6 Affiliate Management Fee Commitment
<b>Operating Revenues:</b>						
1 General Business Revenues	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-
3 Special Sales	-	-	-	-	-	-
4 Other operating revenues	-	-	-	-	-	-
5 Total Operating Revenues	-	-	-	-	-	-
6						
7						
<b>Operating Expenses:</b>						
8 Steam Production	-	-	-	-	-	-
9 Nuclear Production	-	-	-	-	-	-
10 Hydro Production	-	-	-	-	-	-
11 Other Power Supply	(41,141)	-	-	-	-	-
12 Transmission	-	-	(15,539)	-	-	-
13 Distribution	-	-	-	-	-	-
14 Customer Accounting	-	-	-	-	-	-
15 Customer Service & Info.	-	-	-	-	-	-
16 Sales	-	-	-	-	-	-
17 Administrative & General	-	(33,507)	(131,991)	(328,112)	168,801	(10,907)
18 Total O&M Expense	(41,141)	(33,507)	(147,530)	(328,112)	168,801	(10,907)
19 Depreciation	-	-	-	-	-	-
20 Amortization	-	-	-	-	-	-
21 Taxes Other than Income	14,399	11,727	51,636	114,839	(59,080)	3,817
22 Income Taxes: Federal	-	-	-	-	-	-
23 : State	-	-	-	-	-	-
24 Deferred Income Taxes	-	-	-	-	-	-
25 Investment Tax Credit Adj.	-	-	-	-	-	-
26 Misc. Revenue & Expense	-	-	-	-	-	-
27 Total Operating Expenses:	(26,742)	(21,780)	(95,895)	(213,273)	109,721	(7,090)
28						
29 Net Operating Income:	26,742	21,780	95,895	213,273	(109,721)	7,090
30						
31						
<b>Rate Base:</b>						
32 Electric Plant in Service	-	-	-	-	-	-
33 Plant Held for Future Use	-	-	-	-	-	-
34 Misc. Deferred Debits	-	-	-	-	-	-
35 Electric Plant Acq Adj	-	-	-	-	-	-
36 Nuclear Fuel	-	-	-	-	-	-
37 Prepayments	-	-	-	-	-	-
38 Fuel Stock	-	-	-	-	-	-
39 Material & Supplies	-	-	-	-	-	-
40 Working Capital	-	-	-	-	-	-
41 Weatherization Loans	-	-	-	-	-	-
42 Misc. Rate Base	-	-	-	-	-	-
43 Total Electric Plant:	-	-	-	-	-	-
44						
45						
<b>Deductions:</b>						
46 Accum. Prov. for Depreciation	-	-	-	-	-	-
47 Accum. Prov. for Amortization	-	-	-	-	-	-
48 Accum. Deferred Income Tax	-	-	-	-	-	-
49 Unamortized ITC	-	-	-	-	-	-
50 Customer Advances for Const.	-	-	-	-	-	-
51 Customer Service Deposits	-	-	-	-	-	-
52 Miscellaneous Deductions	-	-	-	-	-	-
53						
54 Total Deductions:	-	-	-	-	-	-
55						
56 Total Rate Base:	-	-	-	-	-	-
57						
58						
59						
<b>TAX CALCULATION</b>						
60 Per Company						
61						
62 Operating Revenue	41,141	33,507	147,530	328,112	(168,801)	10,907
63 Other Deductions	-	-	-	-	-	-
64 Interest (AFUDC)	-	-	-	-	-	-
65 Interest	-	-	-	-	-	-
66 Schedule "M" additions	-	-	-	-	-	-
67 Schedule "M" deductions	-	-	-	-	-	-
68 Income Before Tax	41,141	33,507	147,530	328,112	(168,801)	10,907
69						
70 State Income Tax	-	-	-	-	-	-
71 Taxable Income	41,141	33,507	147,530	328,112	(168,801)	10,907
72						
73 Adjustments to FIT	-	-	-	-	-	-
74 Federal Income Tax	14,399	11,727	51,636	114,839	(59,080)	3,817

PacifiCorp  
State of Washington

	4.7 DSM Amort Removal	4.8 Corporate Cost ProForma Commitment	4.9 A&G Expense Commitment	4.10 Pro Forma Wages	5.1 BPA Exchange	5.2 James River Royalty Offset
Operating Revenues:						
1 General Business Revenues	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-
3 Special Sales	-	-	-	-	-	-
4 Other operating revenues	-	-	-	-	-	1,628,351
5 Total Operating Revenues	-	-	-	-	-	1,628,351
6						
7	Operating Expenses:					
8 Steam Production						
9 Nuclear Production						
10 Hydro Production					20,052,696	
11 Other Power Supply						
12 Transmission						
13 Distribution						
14 Customer Accounting						
15 Customer Service & Info	(4,960,687)					
16 Sales						
17 Administrative & General		(82,017)	(470,944)	1,070,000		
18 Total O&M Expense	(4,960,687)	(82,017)	(470,944)	1,070,000	20,052,696	-
19 Depreciation						
20 Amortization						
21 Taxes Other than Income						
22 Income Taxes: Federal	1,736,240	28,706	164,830	(374,500)	(7,018,444)	569,923
23 : State						
24 Deferred Income Taxes						
25 Investment Tax Credit Adj.						
26 Misc. Revenue & Expense						
27 Total Operating Expenses:	(3,224,447)	(53,311)	(306,114)	695,500	13,034,252	569,923
28						
29 Net Operating Income:	3,224,447	53,311	306,114	(695,500)	(13,034,252)	1,058,428
30						
31	Rate Base:					
32 Electric Plant in Service						
33 Plant Held for Future Use						
34 Misc. Deferred Debits						
35 Electric Plant Acq Adj						
36 Nuclear Fuel						
37 Prepayments						
38 Fuel Stock						
39 Material & Supplies						
40 Working Capital						
41 Weatherization Loans						
42 Misc. Rate Base						
43 Total Electric Plant:	-	-	-	-	-	-
44						
45	Deductions:					
46 Accum. Prov. for Depreciation						
47 Accum. Prov. for Amortization						
48 Accum. Deferred Income Tax						
49 Unamortized ITC						
50 Customer Advances for Const.						
51 Customer Service Deposits						
52 Miscellaneous Deductions						
53						
54 Total Deductions:	-	-	-	-	-	-
55						
56 Total Rate Base:	-	-	-	-	-	-
57						
58						
59						
60 TAX CALCULATION						
61 Per Company						
62						
63 Operating Revenue	4,960,687	82,017	470,944	(1,070,000)	(20,052,696)	1,628,351
64 Other Deductions						
65 Interest (AFUDC)						
66 Interest						
67 Schedule "M" additions						
68 Schedule "M" deductions						
69						
70 Income Before Tax	4,960,687	82,017	470,944	(1,070,000)	(20,052,696)	1,628,351
71 State Income Tax						
72 Taxable Income	4,960,687	82,017	470,944	(1,070,000)	(20,052,696)	1,628,351
73 Adjustments to FIT						
74 Federal Income Tax	1,736,240	28,706	164,830	(374,500)	(7,018,444)	569,923

PacifiCorp  
State of Washington

	5.3 Colstrip #3 Removal	5.4 Misc Power Supply	5.5 Revised CAGW & SO Allocators	5.6 Water Year Adjustment	7.1 Interest True-up (calculated)	7.2 Utah Gross Receipts Tax	7.3 Deferred Income Tax Reclass
Operating Revenues:							
1 General Business Revenues	-	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-	-
3 Special Sales	-	-	(2,408,487)	-	-	-	-
4 Other operating revenues	-	-	(124,496)	-	-	-	-
5 Total Operating Revenues	-	-	(2,532,983)	-	-	-	-
Operating Expenses:							
8 Steam Production	-	-	(173,833)	-	-	-	-
9 Nuclear Production	-	-	(88,290)	-	-	-	-
10 Hydro Production	-	-	(2,973,452)	(1,540,683)	-	-	-
11 Other Power Supply	-	(1,527,176)	(315,554)	-	-	-	-
12 Transmission	-	-	-	-	-	-	-
13 Distribution	-	-	-	-	-	-	-
14 Customer Accounting	-	-	-	-	-	-	-
15 Customer Service & Info	-	-	-	-	-	-	-
16 Sales	-	-	(145,002)	-	-	-	-
17 Administrative & General	-	-	-	(1,540,683)	-	-	-
18 Total O&M Expense	-	(1,527,176)	(3,696,131)	(1,540,683)	-	-	-
19 Depreciation	(782,978)	-	(274,505)	-	-	-	-
20 Amortization	-	-	(40,711)	-	-	-	-
21 Taxes Other than Income	(36,638)	-	(48,353)	-	-	(300,180)	-
22 Income Taxes: Federal	20,080	534,512	653,311	539,239	(35,858)	105,063	-
23 : State	-	-	17,199	-	-	-	-
24 Deferred Income Taxes	121,095	-	-	-	-	-	-
25 Investment Tax Credit Adj.	-	-	(108)	-	-	-	-
26 Misc. Revenue & Expense	(678,441)	(992,664)	(3,389,298)	(1,001,444)	(35,858)	(195,117)	-
27 Total Operating Expenses:	(678,441)	(992,664)	(3,389,298)	(1,001,444)	(35,858)	(195,117)	-
28							
29 Net Operating Income:	678,441	992,664	856,315	1,001,444	35,858	195,117	-
Rate Base:							
32 Electric Plant in Service	(25,982,218)	-	(10,582,985)	-	-	-	-
33 Plant Held for Future Use	-	-	(26)	-	-	-	-
34 Misc. Deferred Debits	-	-	(18,110)	-	-	-	-
35 Electric Plant Acq Adj	-	-	-	-	-	-	-
36 Nuclear Fuel	-	-	(22,248)	-	-	-	-
37 Prepayments	-	-	(56,535)	-	-	-	-
38 Fuel Stock	-	-	(61,775)	-	-	-	-
39 Material & Supplies	-	-	-	-	-	-	-
40 Working Capital	-	-	-	-	-	-	-
41 Weatherization Loans	-	-	-	-	-	-	-
42 Misc. Rate Base	-	-	-	-	-	-	-
43 Total Electric Plant:	(25,982,218)	-	(10,741,679)	-	-	-	-
Deductions:							
46 Accum. Prov. for Depreciation	15,505,207	-	4,160,371	-	-	-	-
47 Accum. Prov. for Amortization	-	-	250,963	-	-	-	(16,435)
48 Accum. Deferred Income Tax	566,765	-	(10,281)	-	-	-	-
49 Unamortized ITC	245,000	-	-	-	-	-	-
50 Customer Advances for Const.	-	-	-	-	-	-	-
51 Customer Service Deposits	-	-	45,954	-	-	-	-
52 Miscellaneous Deductions	-	-	-	-	-	-	-
53 Total Deductions:	16,316,972	-	4,447,007	-	-	-	(16,435)
54							
55 Total Rate Base:	(9,665,246)	-	(6,294,672)	-	-	-	(16,435)
TAX CALCULATION							
Per Company							
63 Operating Revenue	819,616	1,527,176	1,526,825	1,540,683	-	300,180	-
64 Other Deductions	-	-	-	-	-	-	-
65 Interest (AFUDC)	-	-	(207,881)	-	102,451	-	-
66 Interest	(782,978)	-	(305,405)	-	-	-	-
67 Schedule "M" additions	(20,733)	-	(437,301)	-	-	-	-
68 Schedule "M" deductions	-	-	-	-	-	-	-
69	57,371	1,527,176	1,866,602	1,540,683	(102,451)	300,180	-
70 Income Before Tax	-	-	-	-	-	-	-
71 State Income Tax	-	-	-	-	-	-	-
72 Taxable Income	57,371	1,527,176	1,866,602	1,540,683	(102,451)	300,180	-
73 Adjustments to FIT	-	-	-	-	-	-	-
74 Federal Income Tax	20,080	534,512	653,311	539,239	(35,858)	105,063	-

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	7.4 Malin Midpoint	7.5 Flow-through Deferred Tax	7.6 IRS Settlement	7.7 Year-end Deferred Tax Adj.	7.8 Renewable Energy Tax Credit	7.9 Low Income Tax Credit	7.10 Production Activity Deduction
<b>Operating Revenues:</b>							
1 General Business Revenues	-	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-	-
3 Special Sales	-	-	-	-	-	-	-
4 Other operating revenues	-	-	-	-	-	-	-
5 Total Operating Revenues	-	-	-	-	-	-	-
<b>Operating Expenses:</b>							
8 Steam Production	-	-	-	-	-	-	-
9 Nuclear Production	-	-	-	-	-	-	-
10 Hydro Production	-	-	-	-	-	-	-
11 Other Power Supply	-	-	-	-	-	-	-
12 Transmission	-	-	-	-	-	-	-
13 Distribution	-	-	-	-	-	-	-
14 Customer Accounting	-	-	-	-	-	-	-
15 Customer Service & Info	-	-	-	-	-	-	-
16 Sales	-	-	-	-	-	-	-
17 Administrative & General	-	-	-	-	-	-	-
18 Total O&M Expense	-	-	-	-	-	-	-
19 Depreciation	-	-	-	-	-	-	-
20 Amortization	-	-	-	-	-	(36,669)	-
21 Taxes Other than Income	-	-	-	-	-	12,834	(184,798)
22 Income Taxes: Federal	-	-	-	-	(629,057)	-	-
23 : State	-	-	-	-	-	-	-
24 Deferred Income Taxes	(297,441)	(1,217,863)	-	-	-	-	-
25 Investment Tax Credit Adj.	-	-	-	-	-	-	-
26 Misc. Revenue & Expense	-	-	-	-	-	-	-
27 Total Operating Expenses:	(297,441)	(1,217,863)	-	-	(629,057)	(23,835)	(184,798)
28							
29 Net Operating Income:	297,441	1,217,863	-	-	629,057	23,835	184,798
<b>Rate Base:</b>							
32 Electric Plant in Service	-	-	-	-	-	-	-
33 Plant Held for Future Use	-	-	-	-	-	-	-
34 Misc. Deferred Debits	-	-	-	-	-	-	-
35 Electric Plant Acq Adj	-	-	-	-	-	-	-
36 Nuclear Fuel	-	-	-	-	-	-	-
37 Prepayments	-	-	-	-	-	-	-
38 Fuel Stock	-	-	-	-	-	-	-
39 Material & Supplies	-	-	-	-	-	-	-
40 Working Capital	-	-	-	-	-	-	-
41 Weatherization Loans	-	-	-	-	-	-	-
42 Misc. Rate Base	-	-	-	-	-	-	-
43 Total Electric Plant:	-	-	-	-	-	-	-
<b>Deductions:</b>							
46 Accum. Prov. for Depreciation	-	-	-	-	-	-	-
47 Accum. Prov. for Amortization	-	-	-	(498,669)	-	-	-
48 Accum. Deferred Income Tax	(1,487,206)	(10,531,719)	-	120,750	-	-	-
49 Unamortized ITC	-	-	-	-	-	-	-
50 Customer Advances for Const.	-	-	-	-	-	-	-
51 Customer Service Deposits	-	-	-	-	-	-	-
52 Miscellaneous Deductions	-	-	-	-	-	-	-
53							
54 Total Deductions:	(1,487,206)	(10,531,719)	-	(377,919)	-	-	-
55							
56 Total Rate Base:	(1,487,206)	(10,531,719)	-	(377,919)	-	-	-
<b>TAX CALCULATION</b>							
61 Per Company	-	-	-	-	-	36,669	-
62							
63 Operating Revenue	-	-	-	-	-	-	-
64 Other Deductions	-	-	-	-	-	-	-
65 Interest (AFUDC)	-	-	-	-	-	-	-
66 Interest	-	-	-	-	-	-	-
67 Schedule "M" additions	-	-	-	-	-	-	527,994
68 Schedule "M" deductions	-	-	-	-	-	-	-
69							
70 Income Before Tax	-	-	-	-	-	36,669	(527,994)
71 State Income Tax	-	-	-	-	-	36,669	(527,994)
72 Taxable Income	-	-	-	-	-	-	-
73 Adjustments to FIT	-	-	-	-	(629,057)	-	-
74 Federal Income Tax	-	-	-	-	(629,057)	12,834	(184,798)

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	8.1 Update Cash Working Capital	8.2 Remove Deferred Debits	8.3 JimBridger Mine Rate Base	8.4 Grid West Loan	8.5 North Umpqua Relicensing	8.6 Yakama Sale	8.7 Customer Advances
<b>Operating Revenues:</b>							
1 General Business Revenues	-	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-	-
3 Special Sales	-	-	-	-	-	-	-
4 Other operating revenues	-	-	-	-	-	-	-
5 Total Operating Revenues	-	-	-	-	-	-	-
6							
7							
<b>Operating Expenses:</b>							
8 Steam Production	-	-	-	-	-	-	-
9 Nuclear Production	-	-	-	-	-	-	-
10 Hydro Production	-	-	-	-	-	-	-
11 Other Power Supply	-	-	-	-	-	-	-
12 Transmission	-	-	-	-	-	-	-
13 Distribution	-	-	-	(103,271)	-	-	-
14 Customer Accounting	-	-	-	-	-	-	-
15 Customer Service & Info	-	-	-	-	-	-	-
16 Sales	-	-	-	-	-	-	-
17 Administrative & General	-	-	-	(103,271)	-	-	-
18 Total O&M Expense	-	-	-	(103,271)	-	-	-
19 Depreciation	-	-	-	-	-	(9,369)	-
20 Amortization	-	-	-	47,337	(121,971)	-	-
21 Taxes Other than Income	-	-	-	-	-	-	-
22 Income Taxes: Federal	-	-	-	142,312	42,690	3,279	-
23 : State	-	-	-	-	-	-	-
24 Deferred Income Taxes	-	-	-	-	-	-	-
25 Investment Tax Credit Adj.	-	-	-	-	-	-	-
26 Misc. Revenue & Expense	-	-	-	86,378	(79,281)	(6,090)	-
27 Total Operating Expenses:	-	-	-	86,378	(79,281)	(6,090)	-
28							
29 Net Operating Income:	-	-	-	(86,378)	79,281	6,090	-
30							
31							
32 Rate Base:			18,630,829		(134,219)	(532,097)	
33 Electric Plant in Service							
34 Plant Held for Future Use		(2,814,534)		112,424			
35 Misc. Deferred Debits							
36 Electric Plant Acq Adj							
37 Nuclear Fuel							
38 Prepayments							
39 Fuel Stock							
40 Material & Supplies							
41 Working Capital							
42 Weatherization Loans							
43 Misc. Rate Base							
44 Total Electric Plant:	-	(2,814,534)	18,630,829	112,424	(134,219)	(532,097)	-
45							
<b>Deductions:</b>							
46 Accum. Prov. for Depreciation	-	-	-	-	3,896	90,231	-
47 Accum. Prov. for Amortization	-	-	-	-	-	-	-
48 Accum. Deferred Income Tax	-	-	-	-	-	-	-
49 Unamortized ITC	-	-	-	-	-	-	984,551
50 Customer Advances for Const.	-	-	-	-	-	-	-
51 Customer Service Deposits	-	-	-	-	-	-	-
52 Miscellaneous Deductions	-	-	-	-	-	-	-
53							
54 Total Deductions:	-	-	-	-	3,896	90,231	984,551
55							
56 Total Rate Base:	-	(2,814,534)	18,630,829	112,424	(130,323)	(441,866)	984,551
57							
58							
59							
<b>TAX CALCULATION</b>							
60 Per Company							
61							
62 Operating Revenue	-	-	-	55,934	121,971	9,369	-
63 Other Deductions	-	-	-	-	-	-	-
64 Interest (AFUDC)	-	-	-	-	-	-	-
65 Interest	-	-	-	-	-	-	-
66 Schedule "M" additions	-	-	-	(262,856)	-	-	-
67 Schedule "M" deductions	-	-	-	(613,528)	-	-	-
68							
69 Income Before Tax	-	-	-	406,606	121,971	9,369	-
70 State Income Tax	-	-	-	-	-	-	-
71 Taxable Income	-	-	-	406,606	121,971	9,369	-
72							
73 Adjustments to FIT	-	-	-	-	-	-	-
74 Federal Income Tax	-	-	-	142,312	42,690	3,279	-

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	8.8 Centralia Transmission Line Sale	8.9 Leaning Juniper	8.10 Misc. Rate Base	8.11 Colstrip #4 AFUDC	8.12 Trojan Removal	8.13 MEHC Transition Savings	8.14 Remove per books working capital
<b>Operating Revenues:</b>							
1 General Business Revenues	-	-	-	-	-	-	-
2 Interdepartmental	-	-	-	-	-	-	-
3 Special Sales	-	-	-	-	-	-	-
4 Other operating revenues	-	-	-	-	-	-	-
5 Total Operating Revenues	-	-	-	-	-	-	-
<b>Operating Expenses:</b>							
8 Steam Production	-	-	-	-	-	-	-
9 Nuclear Production	-	-	-	-	-	-	-
10 Hydro Production	-	-	-	-	-	-	-
11 Other Power Supply	-	450,487	-	-	-	-	-
12 Transmission	-	-	-	-	-	-	-
13 Distribution	-	-	-	-	-	-	-
14 Customer Accounting	-	-	-	-	-	-	-
15 Customer Service & Info	-	-	-	-	-	-	-
16 Sales	-	-	-	-	-	-	-
17 Administrative & General	-	-	(657,375)	-	-	(2,891,698)	-
18 Total O&M Expense	-	450,487	(657,375)	-	-	(2,891,698)	-
19 Depreciation	(1,114)	710,644	-	(33,000)	(283,072)	-	-
20 Amortization	-	-	-	-	-	-	-
21 Taxes Other than Income	-	-	-	-	-	-	-
22 Income Taxes: Federal	390	(865,335)	230,081	-	2,456	1,012,094	-
23 : State	-	-	-	-	-	-	-
24 Deferred Income Taxes	-	650,617	-	-	-	-	-
25 Investment Tax Credit Adj.	-	-	-	-	-	-	-
26 Misc. Revenue & Expense	-	-	-	-	-	-	-
27 Total Operating Expenses:	(724)	946,413	(427,294)	(33,000)	(280,616)	(1,879,604)	-
28	-	-	-	-	-	-	-
29 Net Operating Income:	724	(946,413)	427,294	33,000	280,616	1,879,604	-
<b>Rate Base:</b>							
32 Electric Plant in Service	(66,760)	22,862,810	-	(481,839)	-	-	-
33 Plant Held for Future Use	-	-	-	-	-	1,274,095	-
34 Misc. Deferred Debits	-	-	-	-	-	-	-
35 Electric Plant Acq Adj	-	-	-	-	-	-	-
36 Nuclear Fuel	-	-	-	-	-	-	-
37 Prepayments	-	-	-	-	-	-	-
38 Fuel Stock	-	-	-	-	-	-	-
39 Material & Supplies	-	-	-	-	-	-	(4,014,806)
40 Working Capital	-	-	-	-	-	-	-
41 Weatherization Loans	-	-	-	-	-	-	-
42 Misc. Rate Base	-	-	-	-	(394,024)	-	-
43 Total Electric Plant:	(66,760)	22,862,810	-	(481,839)	(394,024)	1,274,095	(4,014,806)
<b>Deductions:</b>							
46 Accum. Prov. for Depreciation	26,852	(659,884)	-	-	-	-	-
47 Accum. Prov. for Amortization	-	-	-	-	-	-	-
48 Accum. Deferred Income Tax	977	(451,358)	-	-	-	-	-
49 Unamortized ITC	-	-	-	-	-	-	-
50 Customer Advances for Const.	-	-	-	-	-	-	-
51 Customer Service Deposits	-	-	-	-	1,054,570	-	-
52 Miscellaneous Deductions	-	-	-	-	-	-	-
53	-	-	-	-	-	-	-
54 Total Deductions:	27,829	(1,111,242)	-	-	1,054,570	-	-
55	-	-	-	-	-	-	-
56 Total Rate Base:	(38,931)	21,751,568	-	(481,839)	660,546	1,274,095	(4,014,806)
<b>TAX CALCULATION</b>							
61 Per Company	-	-	-	-	-	-	-
62	-	-	-	-	-	-	-
63 Operating Revenue	1,114	(1,161,131)	657,375	33,000	283,072	2,891,698	-
64 Other Deductions	-	-	-	-	-	-	-
65 Interest (AFUDC)	-	-	-	-	-	-	-
66 Interest	-	-	-	-	-	-	-
67 Schedule "M" additions	-	241,288	-	(33,000)	(276,054)	-	-
68 Schedule "M" deductions	-	1,552,542	-	-	-	-	-
69	-	-	-	-	-	-	-
70 Income Before Tax	1,114	(2,472,385)	657,375	-	7,018	2,891,698	-
71 State Income Tax	-	-	-	-	-	-	-
72 Taxable Income	1,114	(2,472,385)	657,375	-	7,018	2,891,698	-
73 Adjustments to FIT	-	-	-	-	-	-	-
74 Federal Income Tax	390	(865,335)	230,081	-	2,456	1,012,094	-

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	8.15 Remove per books current assets	8.16 ISWC	8.17 Customer Deposits
<b>Operating Revenues:</b>			
1 General Business Revenues	-	-	-
2 Interdepartmental	-	-	-
3 Special Sales	-	-	-
4 Other operating revenues	-	-	-
5 Total Operating Revenues	-	-	-
6			
7			
<b>Operating Expenses:</b>			
8 Steam Production	-	-	-
9 Nuclear Production	-	-	-
10 Hydro Production	-	-	-
11 Other Power Supply	-	-	-
12 Transmission	-	-	-
13 Distribution	-	-	-
14 Customer Accounting	-	-	-
15 Customer Service & Info	-	-	-
16 Sales	-	-	37,483
17 Administrative & General	-	-	37,483
18 Total O&M Expense	-	-	37,483
19 Depreciation	-	-	-
20 Amortization	-	-	-
21 Taxes Other than Income	-	-	-
22 Income Taxes: Federal	-	-	(13,119)
23 : State	-	-	-
24 Deferred Income Taxes	-	-	-
25 Investment Tax Credit Adj.	-	-	-
26 Misc. Revenue & Expense	-	-	24,364
27 Total Operating Expenses:	-	-	24,364
28			
29 Net Operating Income:	-	-	(24,364)
30			
<b>Rate Base:</b>			
31			
32 Electric Plant in Service	-	-	-
33 Plant Held for Future Use	-	-	-
34 Misc. Deferred Debits	-	-	-
35 Electric Plant Acq Adj	-	-	-
36 Nuclear Fuel	-	-	-
37 Prepayments	(2,621,932)	-	-
38 Fuel Stock	(2,516,964)	-	-
39 Material & Supplies	(7,027,466)	-	-
40 Working Capital	-	8,321,198	-
41 Weatherization Loans	-	-	-
42 Misc. Rate Base	-	-	-
43 Total Electric Plant:	(12,166,362)	8,321,198	-
44			
<b>Deductions:</b>			
45			
46 Accum. Prov. for Depreciation	-	-	-
47 Accum. Prov. for Amortization	-	-	-
48 Accum. Deferred Income Tax	-	-	-
49 Unamortized ITC	-	-	-
50 Customer Advances for Const.	-	-	(2,001,969)
51 Customer Service Deposits	-	-	(2,001,969)
52 Miscellaneous Deductions	-	-	-
53			
54 Total Deductions:	-	-	(2,001,969)
55			
56 Total Rate Base:	(12,166,362)	8,321,198	(2,001,969)
57			
58			
<b>TAX CALCULATION</b>			
59			
60 TAX CALCULATION			
61 Per Company			
62			
63 Operating Revenue	-	-	(37,483)
64 Other Deductions	-	-	-
65 Interest (AFUDC)	-	-	-
66 Interest	-	-	-
67 Schedule "M" additions	-	-	-
68 Schedule "M" deductions	-	-	-
69			
70 Income Before Tax	-	-	(37,483)
71 State Income Tax	-	-	(37,483)
72 Taxable Income	-	-	(37,483)
73 Adjustments to FIT	-	-	(13,119)
74 Federal Income Tax	-	-	(13,119)

**Summary of Adjustments**

	Adj. No.	NOI Impact	Net Rate Base Impact	Staff's Revenue Requirement Impact	PacifiCorp's Revenue Requirement Impact per Filing	Difference
A	B	C	D	E	F	G
1 Per Books		\$31,739,435	\$534,951,251	16,996,894	\$ 18,293,896	\$ (1,297,002)
2 <b>Adjustments</b>						
3 <b>REVENUE</b>						
4 Temperature Normalization (u)	3.1	(143,284)	-	230,940	230,481	459
5 ProForma Reduction in Load (u)	3.2	(2,539,148)	-	4,092,509	4,084,379	8,130
6 Revenue Normalizing (u)	3.3	9,182,478	-	(14,799,993)	(14,770,591)	(29,402)
7 Centralia Gain (u)	3.4	(734,690)	-	1,184,147	1,181,795	2,352
8 Pole Attachment Revenue (u)	3.5	(519,401)	-	837,152	835,489	1,663
9 SO2 Emission Allowances (u)	3.6	(1,246,243)	(1,457,588)	1,822,951	1,815,704	7,247
10						
11 <b>O &amp; M</b>						
12 Green Tag Removal (u)	4.1	26,742	-	(43,101)	(43,016)	(85)
13 Miscellaneous General Expense (u)	4.2	21,780	-	(35,104)	(35,034)	(70)
14 International Assignees (u)	4.3	95,895	-	(154,559)	(154,252)	(307)
15 Out of Period Expense Adj.	4.4	213,273	-	(343,746)	(72,012)	(271,734)
16 Property Insurance (u)	4.5	(109,721)	-	176,844	176,493	351
17 Affiliate Fee Commitment (u)	4.6	7,090	-	(11,427)	(11,404)	(23)
18 DSM Amortization Removal (u)	4.7	3,224,447	-	(5,197,049)	(5,186,724)	(10,325)
19 Corporate Cost Commitment (u)	4.8	53,311	-	(85,925)	(85,754)	(171)
20 A&G Expense Commitment (u)	4.9	306,114	-	(493,383)	(492,403)	(980)
21 Proforma Wage Adjustment	4.10	(695,500)	-	1,120,982	-	1,120,982
22						
23						
24 <b>POWER COSTS</b>						
25 BPA Exchange (u)	5.1	(13,034,252)	-	21,008,147	20,966,412	41,735
26 James River Royalty Offset (u)	5.2	1,058,428	-	(1,705,937)	(1,702,548)	(3,389)
27 Removal of Colstrip #3 (u)	5.3	678,441	(9,665,246)	(2,324,851)	(2,344,276)	19,425
28 Misc. Power Supply	5.4	992,664	-	(1,599,941)	-	(1,599,941)
29 Revised CAGW & SO Factors	5.5	856,315	(6,294,672)	(2,182,127)	-	(2,182,127)
30 Water Year Adjustment	5.6	1,001,444	-	(1,614,092)	-	(1,614,092)
31	5.7	-	-	-	-	-
32						
33 <b>TAX ADJUSTMENTS</b>						
34 Interest True Up	7.1	35,858	-	(57,794)	368,211	(426,005)
35 Utah Gross Receipts Tax (u)	7.2	195,117	-	(314,483)	(313,858)	(625)
36 Reclass Deferred Income Tax (u)	7.3	-	(16,435)	(2,094)	(2,131)	37
37 Malin Midpoint (u)	7.4	297,441	(1,487,206)	(668,877)	(671,247)	2,370
38 Flow-through Deferred Tax Adj. (u)	7.5	1,217,863	(10,531,719)	(3,304,661)	(3,324,296)	19,635
39 IRS Settlement Amortization	7.6	-	-	-	1,082,832	(1,082,832)
40 Year-end Deferred Tax (u)	7.7	-	(377,919)	(48,147)	(48,992)	845
41 Renewable Energy Tax Credit (u)	7.8	629,057	-	(1,013,892)	(1,011,878)	(2,014)
42 Low Income Tax Credit (u)	7.9	23,835	-	(38,416)	(38,340)	(76)
43 Production Activity Deduction	7.10	184,798	-	(297,851)	-	(297,851)



**Summary of Adjustments**

	Adj. No.	NOI Impact	Net Rate Base Impact	Staff's Revenue Requirement Impact	PacifiCorp's Revenue Requirement Impact per Filing	Difference
A	B	C	D	E	F	G
44						
45						
46	8.1	-	-	-	22,796	(22,796)
47	8.2	-	(2,814,534)	(358,575)	(364,864)	6,289
48	8.3	-	18,630,829	2,373,589	2,633,158	(259,569)
49	8.4	(86,378)	112,424	153,544	153,519	25
50	8.5	79,281	(130,323)	(144,386)	(144,423)	37
51	8.6	6,090	(441,866)	(66,110)	(67,078)	968
52	8.7	-	984,551	125,433	127,633	(2,200)
53	8.8	724	(38,931)	(6,127)	(6,212)	85
54	8.9	(946,413)	21,751,568	4,296,570	4,342,144	(45,574)
55	8.10	427,294	-	(688,697)	(687,329)	(1,368)
56	8.11	33,000	(481,839)	(114,575)	(115,546)	971
57	8.12	280,616	660,546	(368,132)	(365,758)	(2,374)
58	8.13	1,879,604	1,274,095	(2,867,158)	(1,044,879)	(1,822,279)
59	8.14	-	(4,014,806)	(511,491)	-	(511,491)
60	8.15	-	(12,166,362)	(1,550,008)	-	(1,550,008)
61	8.16	-	8,321,198	1,060,130	-	1,060,130
62	8.17	(24,364)	(2,001,969)	(215,784)	-	(215,784)
63						
64						
65	Total	34,669,038	534,765,047	12,251,339	23,210,097	(10,958,758)
66	Conversion Factor			0.620438	0.621670	
67	Percentage Increase in Revenues			5.4%	10.2%	
68						
69						
70						
71	Capital Structure			Staff	Company	Company
72	Long-term Debt / Cost			54.00%	50.00%	6.34%
73	Short term Debt / Cost			3.00%	3.00%	4.50%
74	Preferred Stock / Cost			1.00%	1.00%	6.46%
75	Common Stock / Cost			42.00%	46.00%	10.20%
76	Weighted Average Cost of Capital			7.90%		8.06%

PacifiCorp General Rate Case  
Appendix to Exhibit No. \_\_\_ (TES-2)

Mechanics of the Exhibit

The following is a description of how to navigate Exhibit No. \_\_\_ (TES-2) and how it compares to Exhibit No. \_\_\_ (PMW-4).

Starting at Exhibit No. \_\_\_ (TES-2), page 1, Column 1; this is the same as Exhibit No. \_\_\_ (PMW-4), page 2.2, Washington unadjusted results, also known as "per books" results. Column 2 is the sum of the adjustments presented in pages 7 – 14. Column 3 is the sum of columns 1 and 2. Column 4 retrieves the revenue requirement from page 3 and shows the revenue related expenses. Finally Column 5 shows the total results after Staff's revenue requirement recommendation.

Page 3 of Exhibit TES-2 shows the calculation of the revenue requirement similar to the top portion of the Company's page 1.2, Exhibit No. \_\_\_ (PMW-4).

Page 4 shows Staff's recommended conversion factor which may be compared to the Company's Exhibit No. \_\_\_ (PMW-4), page 1.3.

Page 5 of Exhibit No. \_\_\_ (TES-2) calculates the recommended cost of capital and return on rate base.

Page 6 shows the calculation of Adjustment 7.1, Interest True-up.

Pages 7-14 present Staff's adjustments to the unadjusted results of operations. The format of these pages follows the format of the first page of tabs 3, 4, 5, etc., in Exhibit No. \_\_\_ (PMW-4). In Exhibit No. \_\_\_ (PMW-4) the first page of the adjustment tabs is the sum of the Company's Types 1, 2, and 3. Staff does not distinguish between the "types" of adjustments presented by PacifiCorp and has combined them in each adjustment. Each column is one adjustment with the tax consequences of revenue or expense calculated in the lower section of the column beginning at line 60. Note that Adjustment 7.1, interest true-up, is automatically recalculated with changes in rate base or debt cost. This recalculation is shown at page 6.

Pages 15 and 16 are a summary of the adjustments showing the net operating income impact, net rate base impact, and revenue requirement impact of each adjustment. A comparison to the revenue requirement impact of each of PacifiCorp's adjustments is included.

Pages 18-23 are summary tables of the components of revenue requirements as requested in the last PacifiCorp general rate case.

**Table 1**  
**Net Operating Income Impacts**

	Adjustment No.	Staff NOI Impact
1		\$ 31,739,435
2		
		REVENUES
3	3.1	\$ (143,284)
4	3.2	\$ (2,539,148)
5	3.3	\$ 9,182,478
6	3.4	\$ (734,690)
7	3.5	\$ (519,401)
8	3.6	\$ (1,246,243)
9		
10		O & M
11	4.1	\$ 26,742
12	4.2	\$ 21,780
13	4.3	\$ 95,895
14	4.4	\$ 213,273
15	4.5	\$ (109,721)
16	4.6	\$ 7,090
17	4.7	\$ 3,224,447
18	4.8	\$ 53,311
19	4.9	\$ 306,114
20	4.10	\$ (695,500)
21		
22		POWER COSTS
23	5.1	\$ (13,034,252)
24	5.2	\$ 1,058,428
25	5.3	\$ 678,441
26	5.4	\$ 992,664
27	5.5	\$ 856,315
28	5.6	\$ 1,001,444
29		
30		TAX ADJUSTMENTS
31	7.1	\$ 35,858
32	7.2	\$ 195,117
33	7.3	\$ -
34	7.4	\$ 297,441
35	7.5	\$ 1,217,863
36	7.6	\$ -
37	7.7	\$ -
38	7.8	\$ 629,057
39	7.9	\$ 23,835
40	7.10	\$ 184,798
41		
42		RATE BASE
43	8.1	\$ -
44	8.2	\$ -
45	8.3	\$ -
46	8.4	\$ (86,378)
47	8.5	\$ 79,281
48	8.6	\$ 6,090
49	8.7	\$ -
50	8.8	\$ 724
51	8.9	\$ (946,413)
52	8.10	\$ 427,294
53	8.11	\$ 33,000
54	8.12	\$ 280,616
55	8.13	\$ 1,879,604
56	8.14	\$ -
57	8.15	\$ -
58	8.16	\$ -
59	8.17	\$ (24,364)
60	Total	<u>\$ 34,669,038</u>

**Table 2**  
**Net Rate Base Impacts**

	Adjustment	Adj. No.	Staff Rate Base Impact
1	Net Rate Base "Unadjusted"		\$ 534,951,251
2	REVENUES		
3	Temperature Normalization (u)	3.1	\$ -
4	ProForma Reduction in Load (u)	3.2	\$ -
5	Revenue Normalizing (u)	3.3	\$ -
6	Centralia Gain (u)	3.4	\$ -
7	Pole Attachment Revenue (u)	3.5	\$ -
8	SO2 Emission Allowances (u)	3.6	\$ (1,457,588)
9			
10	O & M		
11	Green Tag Removal (u)	4.1	\$ -
12	Miscellaneous General Expense (u)	4.2	\$ -
13	International Assignees (u)	4.3	\$ -
14	Out of Period Expense Adj.	4.4	\$ -
15	Property Insurance (u)	4.5	\$ -
16	Affiliate Fee Commitment (u)	4.6	\$ -
17	DSM Amortization Removal (u)	4.7	\$ -
18	Corporate Cost Commitment (u)	4.8	\$ -
19	A&G Expense Commitment (u)	4.9	\$ -
20	Proforma Wage Adjustment	4.10	\$ -
21			
22	POWER COSTS		
23	BPA Exchange (u)	5.1	\$ -
24	James River Royalty Offset (u)	5.2	\$ -
25	Removal of Colstrip #3 (u)	5.3	\$ (9,665,246)
26	Misc. Power Supply	5.4	\$ -
27	Revised CAGW & SO Factors	5.5	\$ (6,294,672)
28	Water Year Adjustment	5.6	\$ -
29			
30	TAX ADJUSTMENTS		
31	Interest True Up	7.1	\$ -
32	Utah Gross Receipts Tax (u)	7.2	\$ -
33	Reclass Deferred Income Tax (u)	7.3	\$ (16,435)
34	Malin Midpoint (u)	7.4	\$ (1,487,206)
35	Flow-through Deferred Tax Adj. (u)	7.5	\$ (10,531,719)
36	IRS Settlement Amortization	7.6	\$ -
37	Year-end Deferred Tax (u)	7.7	\$ (377,919)
38	Renewable Energy Tax Credit (u)	7.8	\$ -
39	Low Income Tax Credit (u)	7.9	\$ -
40	Production Activity Deduction	7.10	\$ -
41			
42	RATE BASE		
43	Cash Working Capital	8.1	\$ -
44	Remove Deferred Debits (u)	8.2	\$ (2,814,534)
45	Bridger Mine Rate Base	8.3	\$ 18,630,829
46	Grid West Loan (u)	8.4	\$ 112,424
47	North Umpqua Relicensing (u)	8.5	\$ (130,323)
48	Yakama Sale (u)	8.6	\$ (441,866)
49	Customer Advances (u)	8.7	\$ 984,551
50	Centralia Transmission Line Sale (u)	8.8	\$ (38,931)
51	Leaning Juniper (u)	8.9	\$ 21,751,568
52	Miscellaneous Rate Base Adj. (u)	8.10	\$ -
53	Colstrip 4 AFUDC Adj. (u)	8.11	\$ (481,839)
54	Trojan Removal (u)	8.12	\$ 660,546
55	MEHC Transition Savings	8.13	\$ 1,274,095
56	Remove Working Capital	8.14	\$ (4,014,806)
57	Remove Current Assets	8.15	\$ (12,166,362)
58	ISWC	8.16	\$ 8,321,198
59	Customer Deposits	8.17	\$ (2,001,969)
60	Total		\$ 534,765,047

**Table 3**  
**Rate of Return**

Staff Recommended Weighted Average Cost of Capital with a PCAM

Type of Capital	Capital Structure	Interest Rate	Weighted Cost	Weighted Debt Rate
1 Long-term Debt	54.00%	6.3350%	3.42090%	
2 Short term Debt	3.00%	4.5000%	0.13500%	3.55590%
3 Preferred Stock	1.00%	6.4550%	0.06455%	
4 Common Stock	42.00%	10.2000%	4.28400%	
5 Weighted Average Cost of Capital	<u>100.00%</u>		<u>7.90%</u>	

**Table 4**  
**Conversion Factor**

			Nominal Tax Rate
1	Operating Revenue	100.0000%	
2	Operating Revenue Deductions:		
3	Uncollectible Accounts	0.4850%	
4	Franchise Tax	0.0000%	
5	WA Revenue Tax	3.8730%	
6	WUTC Fee	0.1900%	
7	Sub-Total	95.4520%	
8	State Income Tax	0.0000%	4.540%
9	Sub-Total	95.4520%	
10	Federal Income Tax @ 35%	<u>33.4082%</u>	35%
11	<b>Net Operating Income Conversion Factor</b>	<u><b>62.0438%</b></u>	
12	Company uses inverse known as "Net to Gross Bump-up".	161.17646%	

**Table 5**  
**Staff Recommended**  
**Increase in Net Operating Income**

	<b>With PCAM</b>
1 Net Rate Base - Washington Jurisdiction	\$ 534,765,047
2 Proposed Rate of Return	7.90%
3 Net Operating Income Requirement	\$ 42,270,236
4 Proforma Net Operating Income	\$ 34,669,038
5 Recommended Increase (Decrease) in Net Operating Income	\$ 7,601,198

Sources:

Line 1: From Table 2, line 77

Line 2: From Table 3, lines 6 or 19

Line 3: Line 1 times line 2

Line 4: From Table 1, line 74

Line 5: Line 3 less line 4

**Table 6**  
**Staff Recommended**  
**Increase to Revenue Requirements**

Revenue Requirement Calculation	Notes	With PCAM
1 Net Operating Income Excess	1*	\$ 7,601,198
2		
3 NOI > Revenue Conversion Factor	2*	62.04380%
4		
5 <u>Revenue Requirement Increase (Decrease)</u>	3*	<u>\$ 12,251,341</u>
6		
7 Adjusted Revenues at Present Rates	4*	\$ 226,563,996
8		
9 Percentage decrease	5*	5.4%

Sources:

- 1\* From Table 5, line 5
- 2\* From Table 4, line 11
- 3\* Line 1 divided by line 3
- 4\* Exhibit \_\_\_\_ (TES-2) at 1, line 1, column 3
- 5\* Line 5 divided by line 7.