

Exhibit No. _____ (KHB-3)
Docket UE-111190
Witness: Kathryn H. Breda

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP d/b/a PACIFIC POWER
& LIGHT COMPANY,**

Respondent.

DOCKET UE-111190

EXHIBIT TO TESTIMONY OF

Kathryn H. Breda

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Adjustment 4.6 Pension and Postretirement Curtailment Gain

January 6, 2012

ACCOUNT	Type	TOTAL COMPANY	FACTOR	FACTOR %	WASHINGTON ALLOCATED	REF#
Adjustment to Expense:						
Remove Test Period Actual	920	RES	1,013,716	WA	Situs	1,013,716 Page 2 Line 1 Col C
Amortization	921	RES	(1,013,713)	WA	Situs	(1,013,713) Page 2 Line 1 Col C
						<u>3</u>
Adjustment to Tax:						
Schedule M Adjustment	SCHMAT	RES	(1,013,713)	WA	Situs	(1,013,713) Page 2 Line 13 Col C
Deferred Income Tax Expense	41110	RES	354,800	WA	Situs	354,800 Page 2 Line 4 Col C
Adjustment to Rate Base						
Add AMA Calculated Pension Curtailmen	254	RES	\$ (2,396,090)	WA	Situs	(2,396,090) Page 2 Line 7 Col C
Remove Test Period ADIT Balance - AMA	283	RES	(1,087,280)	WA	Situs	(1,087,280) Page 2 Line 8 Col A
Add Calculated ADIT Balance - AMA	283	RES	838,631	WA	Situs	838,631 Page 2 Line 8 Col B
Net Adjustment to ADIT						<u>(248,649)</u>

Description of Adjustment:
 This adjustment reflects the test year 2010 Pension Curtailment Gain Regulatory Liability and three year amortization as ordered in Docket UE-090205 beginning January 1, 2010.

	PacifiCorp	Staff	Difference
Operating Revenues:			
General Business Revenues			
Interdepartmental			
Special Sales			
Other Operating Revenues			
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses:			
Steam Production			
Nuclear Production			
Hydro Production			
Other Power Supply			
Transmission			
Distribution			
Customer Accounting			
Customer Service & Info			
Sales			
Administrative & General	(4,244)	3	4,247
Total O&M Expenses	<u>(4,244)</u>	<u>3</u>	<u>4,247</u>
Depreciation			
Amortization			
Taxes Other Than Income			
Income Taxes - Federal	357,771	(354,801)	(712,572)
Income Taxes - State			
Income Taxes - Def Net	(386,326)	354,800	741,126
Investment Tax Credit Adj.			
Misc Revenue & Expense			
Total Operating Expenses:	<u>(32,799)</u>	<u>2</u>	<u>32,800</u>
Operating Rev For Return:	<u>32,799</u>	<u>(2)</u>	<u>(32,800)</u>
Rate Base:			
Electric Plant In Service		(2,396,090)	(2,396,090)
Plant Held for Future Use			
Misc Deferred Debits			
Elec Plant Acq Adj			
Nuclear Fuel			
Prepayments			
Fuel Stock			
Material & Supplies			
Working Capital			
Weatherization			
Misc Rate Base			
Total Electric Plant:	<u>-</u>	<u>(2,396,090)</u>	<u>(2,396,090)</u>
Rate Base Deductions:			
Accum Prov For Deprec			
Accum Prov For Amort			
Accum Def Income Tax	(1,087,280)	(248,649)	838,631
Unamortized ITC			
Customer Adv For Const			
Customer Service Deposits			
Misc Rate Base Deductions			
Total Rate Base Deductions	<u>(1,087,280)</u>	<u>(248,649)</u>	<u>838,631</u>
Total Rate Base:	<u>(1,087,280)</u>	<u>(2,644,739)</u>	<u>(1,557,459)</u>
Estimated Return on Equity Impact	0.02714%	0.03862%	
Estimated Price Change	(188,566)	(330,040)	(141,475)
TAX CALCULATION:			
Operating Revenue	4,244	(3)	(4,247)
Other Deductions			
Interest (AFUDC)			
Interest			
Schedule "M" Additions	1,017,960	(1,013,713)	(2,031,673)
Schedule "M" Deductions	-		
Income Before Tax	<u>1,022,204</u>	<u>(1,013,716)</u>	<u>(2,035,920)</u>
State Income Taxes	-	-	
Taxable Income	<u>1,022,204</u>	<u>(1,013,716)</u>	<u>(2,035,920)</u>
Federal Income Taxes Before Credits	357,771	(354,801)	(712,572)
Energy Tax Credits			
Federal Income Taxes	<u>357,771</u>	<u>(354,801)</u>	<u>(712,572)</u>

Adjustment Summary

		Test Year Actuals Year 2010 A	Gain B	Staff Adjustment C
1 Remove Test Year Actuals	Page 3 line 1	(1,013,716)	0	1,013,716
2 Add Amortization			(1,013,713)	(1,013,713)
2 Income Before Income Tax	-Line 1	1,013,716	1,013,713	(3)
3 Current Federal Income Tax	Line 15	354,801	-	(354,801)
4 Deferred Federal Income Tax	Line 54 Col D	0	354,800	354,800
5 Net Operating Income	Line 2 to 4	658,915	658,914	(2)
6				
7 Regulatory Liability	Line 35 Col C	-	(2,396,090)	(2,396,090)
8 Accumulated Deferred Income Tax	Line 54 Col C	1,087,280	838,632	(248,648)
9 Net Rate Base	Line 7 plus 8	1,087,280	(1,557,458)	(2,644,738)
10				
11 Current Federal Income Tax Calculation:				
12 Income Before Income Tax		1,013,716	1,013,713	(3)
13 Schedule M			(1,013,713)	(1,013,713)
14 Taxable Income		1,013,716	0	(1,013,716)
15 Current Income Income Tax	0.35	354,801	-	(354,801)

17 1. Calculate Rate Base Amount:

19 Date	Beginning Balance A	Ending Balance B	Average Rate Base C	Amortization Expense D
20				
21				
22	Dec-09	0		0
23	January-10	(2,901,000)	(2,820,417)	(80,583)
24	February-10	(2,820,417)	(2,735,587)	(84,830)
25	March-10	(2,735,587)	(2,650,757)	(84,830)
26	April-10	(2,650,757)	(2,565,927)	(84,830)
27	May-10	(2,565,927)	(2,481,097)	(84,830)
28	June-10	(2,481,097)	(2,396,267)	(84,830)
29	July-10	(2,396,267)	(2,311,437)	(84,830)
30	August-10	(2,311,437)	(2,226,607)	(84,830)
31	September-10	(2,226,607)	(2,141,777)	(84,830)
32	October-10	(2,141,777)	(2,056,947)	(84,830)
33	November-10	(2,056,947)	(1,972,117)	(84,830)
34	December-10	(1,972,117)	(1,887,287)	(84,830)
35 Year to Date Average			(2,396,090)	(1,013,713)

36 2. Calculate Accumulated Deferred Income Tax(1)

39 Date	Beginning Balance A	Ending Balance B	Average Rate Base C	Amortization Expense D
40				
41	Dec-09	0		0
42	January-10	1,015,350	987,146	28,204
43	February-10	987,146	957,455	29,691
44	March-10	957,455	927,765	29,691
45	April-10	927,765	898,074	29,691
46	May-10	898,074	868,384	29,691
47	June-10	868,384	838,693	29,691
48	July-10	838,693	809,003	29,691
49	August-10	809,003	779,312	29,691
50	September-10	779,312	749,622	29,691
51	October-10	749,622	719,931	29,691
52	November-10	719,931	690,241	29,691
53	December-10	690,241	660,550	29,691
54 Year to Date Average			838,631	354,800

55 (1) This is at 37.951% and will be adjusted in Adjustment 7.7 State Income Tax

Calculation of Amortization:	
Curtailment Gain 1/1/2010	(2,901,000)
Years to amortize	3
January Monthly Amortization	(80,583)
February Adjustment	(148,633)
Adjustment/ 35 months	(4,247)
Total Monthly Amortization	(84,830)
Calculation of Accumulated Deferred Income Tax:	
Regulatory Liability @.37951 (1)	1,015,350

Test Period Actual Amounts Booked in Unadjusted Results

FERC ACCT	SAP ACCT	DESCRIPTION	ALLOCATION	TOTAL CO. AMT	REFERENCE
1 920	501100	Amortization of Washington Pension Curtailment Gain	WA	(1,013,716)	Dalley RBD-3 at 4.6.1
2 2831000	287582	DTL 415.825 Contra Pensn Reg Asset CTG_W	WA	1,087,280	Dalley RBD-3 at 4.6.3