

Exhibit No.\_\_\_\_(SCH-3)  
Docket Nos. UE-061546/UE-060817  
Witness: Samuel C. Hadaway

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light  
Company,

Respondent.

Docket No. UE-061546

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In the Matter of the Petition of  
PACIFICORP dba Pacific Power & Light  
Company,

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

Docket No. UE-060817

**PACIFICORP  
EXHIBIT ACCOMPANYING REBUTTAL TESTIMONY  
OF  
SAMUEL C. HADAWAY**

**Financial Ratio Analysis**

**March 2007**

**PacifiCorp Washington**  
**Financial Ratio Analysis**  
(\$thousands unless otherwise noted)  
**Staff Case (\$0M Adverse Power Costs)**

Inputs	Washington Jurisdictional	Comment
Rate Base	535,000	Elgin Exhibit KLE-3
Total System OBS Debt	537,000	per S&P March 2006 publications
Washington Allocator	8.1728%	SO Factor
Total System Imputed Lease Depreciation	17,200	PacifiCorp
Adverse Power Costs	0	
Tax Rate	35.0%	Elgin Exhibit KLE-3

Staff PCAM Sharing Bands (Company Absorbs):					Expense Abs by Co
First			4,000	100%	0
Next	4,001	To	10,000	50%	0
Over	10,001			10%	0
Total Expense Absorbed					0
PCAM NOI Impact					0

WACC	Amount	Weight	Cost	Wtd Cost	ROE (1)
Long-Term Debt	288,900	54.00%	6.33%	3.42%	
Short-Term Debt	16,050	3.00%	4.50%	0.14%	
Preferred Stock	5,350	1.00%	6.46%	0.06%	
Common Equity	224,700	42.00%	10.20%	4.28%	<b>10.20%</b>
<b>Total</b>	<b>535,000</b>	<b>100.00%</b>		<b>7.90%</b>	

WACC Including OBS Debt	Amount	Weight	Cost	Wtd Cost
Long-Term Debt	288,900	49.91%	6.33%	3.16%
Short-Term Debt	16,050	2.77%	4.50%	0.12%
OBS Debt	43,888	7.58%	6.33%	0.48%
Total Debt	348,838	60.26%		3.76%
Preferred Stock	5,350	0.92%	6.46%	0.06%
Common Equity	224,700	38.82%	10.20%	3.96%
<b>Total</b>	<b>578,888</b>	<b>100.00%</b>		<b>7.78%</b>

Funds from Operations (FFO)/Total Debt		Comment
Net Income to Common	22,919	Rate Base x Weighted Cost of Common Equity
PCAM NOI Impact	0	See above
Depreciation	28,343	Input
Amortization	3,916	Input
Deferred Income Tax	5,665	Input
Funds from Operations (FFO)	60,843	
Imputed Lease Depreciation	1,406	Total Sys Imputed Depr x Washington Allocator
FFO, adjusted	62,249	
Long-Term Debt	288,900	Rate Base x Long-Term Debt Ratio
Short-Term Debt	16,050	Rate Base x Short-Term Debt Ratio
OBS Debt	43,888	Total System OBS Debt x Washington Allocator
Total Debt	348,838	S&P Guideline S&P Guideline A rating, BP 5 BBB rating, BP 5
FFO/Total Debt	17.8%	22% 30% 15% 22%
Implied S&P Bond Rating (Business Position: 5)	<b>BBB</b>	

Funds from Operations (FFO) Interest Coverage		
Funds from Operations (FFO)	60,843	See above
Long-Term Debt Interest Expense	18,287	Long-Term Debt x Long-Term Debt Cost
Short-Term Debt Interest Expense	722	Short-Term Debt x Short-Term Debt Cost
OBS Debt Interest Expense	2,778	OBS Debt x OBS Debt Cost
Interest Expense	21,788	S&P Guideline S&P Guideline A rating, BP 5 BBB rating, BP 5
FFO Interest Coverage	3.8	3.8 4.5 2.8 3.8
Implied S&P Bond Rating (Business Position: 5)	<b>BBB +</b>	

Total Debt/Total Capital		
Total Debt	348,838	See above
Preferred Stock	5,350	See above
Equity	224,700	See above
Total Capital	578,888	S&P Guideline S&P Guideline A rating, BP 5 BBB rating, BP 5
Total Debt/Total Capital	60.3%	42% 50% 50% 60%
Implied S&P Bond Rating (Business Position: 5)	<b>BB</b>	

Note (1): ROE after impact of PCAM sharing mechanism.

**PacifiCorp Washington**  
**Financial Ratio Analysis**  
(\$thousands unless otherwise noted)  
**Staff Case (\$5M Adverse Power Costs)**

Inputs	Washington Jurisdictional	Comment				
Rate Base	535,000	Elgin Exhibit KLE-3				
Total System OBS Debt	537,000	per S&P March 2006 publications				
Washington Allocator	8.1728%	SO Factor				
Total System Imputed Lease Depreciation	17,200	PacifiCorp				
Adverse Power Costs	5,000					
Tax Rate	35.0%	Elgin Exhibit KLE-3				
<b>Staff PCAM Sharing Bands (Company Absorbs):</b>			Expense Abs by Co			
	First		4,000	100%	4,000	
	Next	To	10,000	50%	500	
	Over		10,001	10%	0	
			Total Expense Absorbed		4,500	
					PCAM NOI Impact	(2,925)
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WACC	Amount	Weight	Cost	Wtd Cost	ROE (1)	
Long-Term Debt	288,900	54.00%	6.33%	3.42%		
Short-Term Debt	16,050	3.00%	4.50%	0.14%		
Preferred Stock	5,350	1.00%	6.46%	0.06%		
Common Equity	224,700	42.00%	10.20%	4.28%	<b>8.90%</b>	
Total	535,000	100.00%		7.90%		
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WACC Including OBS Debt	Amount	Weight	Cost	Wtd Cost		
Long-Term Debt	288,900	49.91%	6.33%	3.16%		
Short-Term Debt	16,050	2.77%	4.50%	0.12%		
OBS Debt	43,888	7.58%	6.33%	0.48%		
Total Debt	348,838	60.26%		3.76%		
Preferred Stock	5,350	0.92%	6.46%	0.06%		
Common Equity	224,700	38.82%	10.20%	3.96%		
Total	578,888	100.00%		7.78%		
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<b>Funds from Operations (FFO)/Total Debt</b>			Comment			
Net Income to Common	22,919	Rate Base x Weighted Cost of Common Equity				
PCAM NOI Impact	(2,925)	See above				
Depreciation	28,343	Input				
Amortization	3,916	Input				
Deferred Income Tax	5,665	Input				
Funds from Operations (FFO)	57,918					
Imputed Lease Depreciation	1,406	Total Sys Imputed Depr x Washington Allocator				
FFO, adjusted	59,324					
Long-Term Debt	288,900	Rate Base x Long-Term Debt Ratio				
Short-Term Debt	16,050	Rate Base x Short-Term Debt Ratio				
OBS Debt	43,888	Total System OBS Debt x Washington Allocator				
Total Debt	348,838	S&P Guideline	S&P Guideline			
		A rating, BP 5	BBB rating, BP 5			
FFO/Total Debt	17.0%	22%	30%	15%	22%	
Implied S&P Bond Rating (Business Position: 5)	<b>BBB</b>					
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<b>Funds from Operations (FFO) Interest Coverage</b>						
Funds from Operations (FFO)	57,918	See above				
Long-Term Debt Interest Expense	18,287	Long-Term Debt x Long-Term Debt Cost				
Short-Term Debt Interest Expense	722	Short-Term Debt x Short-Term Debt Cost				
OBS Debt Interest Expense	2,778	OBS Debt x OBS Debt Cost				
Interest Expense	21,788	S&P Guideline	S&P Guideline			
		A rating, BP 5	BBB rating, BP 5			
FFO Interest Coverage	3.7	3.8	4.5	2.8	3.8	
Implied S&P Bond Rating (Business Position: 5)	<b>BBB</b>					
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<b>Total Debt/Total Capital</b>						
Total Debt	348,838	See above				
Preferred Stock	5,350	See above				
Equity	224,700	See above				
Total Capital	578,888	S&P Guideline	S&P Guideline			
		A rating, BP 5	BBB rating, BP 5			
Total Debt/Total Capital	60.3%	42%	50%	50%	60%	
Implied S&P Bond Rating (Business Position: 5)	<b>BB</b>					

Note (1): ROE after impact of PCAM sharing mechanism.

PacifiCorp Washington  
Financial Ratio Analysis  
(\$thousands unless otherwise noted)  
**Staff Case (\$10M Adverse Power Costs)**

Inputs	Washington Jurisdictional	Comment				
Rate Base	535,000	Elgin Exhibit KLE-3				
Total System OBS Debt	537,000	per S&P March 2006 publications				
Washington Allocator	8.1728%	SO Factor				
Total System Imputed Lease Depreciation	17,200	PacifiCorp				
Adverse Power Costs	10,000					
Tax Rate	35.0%	Elgin Exhibit KLE-3				
<b>Staff PCAM Sharing Bands (Company Absorbs):</b>			<b>Expense Abs by Co</b>			
	First		4,000	100%	4,000	
	Next	4,001 To	10,000	50%	3,000	
	Over	10,001		10%	0	
			Total Expense Absorbed		7,000	
			PCAM NOI Impact		(4,550)	
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<b>WACC</b>	<b>Amount</b>	<b>Weight</b>	<b>Cost</b>	<b>Wtd Cost</b>	<b>ROE (1)</b>	
Long-Term Debt	288,900	54.00%	6.33%	3.42%		
Short-Term Debt	16,050	3.00%	4.50%	0.14%		
Preferred Stock	5,350	1.00%	6.46%	0.06%		
Common Equity	224,700	42.00%	10.20%	4.28%	<b>8.18%</b>	
Total	535,000	100.00%		7.90%		
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<b>WACC Including OBS Debt</b>	<b>Amount</b>	<b>Weight</b>	<b>Cost</b>	<b>Wtd Cost</b>		
Long-Term Debt	288,900	49.91%	6.33%	3.16%		
Short-Term Debt	16,050	2.77%	4.50%	0.12%		
OBS Debt	43,888	7.58%	6.33%	0.48%		
Total Debt	348,838	60.26%		3.76%		
Preferred Stock	5,350	0.92%	6.46%	0.06%		
Common Equity	224,700	38.82%	10.20%	3.96%		
Total	578,888	100.00%		7.78%		
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<b>Funds from Operations (FFO)/Total Debt</b>		<b>Comment</b>				
Net Income to Common	22,919	Rate Base x Weighted Cost of Common Equity				
PCAM NOI Impact	(4,550)	See above				
Depreciation	28,343	Input				
Amortization	3,916	Input				
Deferred Income Tax	5,665	Input				
Funds from Operations (FFO)	56,293					
Imputed Lease Depreciation	1,406	Total Sys Imputed Depr x Washington Allocator				
FFO, adjusted	57,699					
Long-Term Debt	288,900	Rate Base x Long-Term Debt Ratio				
Short-Term Debt	16,050	Rate Base x Short-Term Debt Ratio				
OBS Debt	43,888	Total System OBS Debt x Washington Allocator				
Total Debt	348,838	S&P Guideline A rating, BP 5	S&P Guideline BBB rating, BP 5			
FFO/Total Debt	16.5%	22%	30%	15%	22%	
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BBB</b>					
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<b>Funds from Operations (FFO) Interest Coverage</b>						
Funds from Operations (FFO)	56,293	See above				
Long-Term Debt Interest Expense	18,287	Long-Term Debt x Long-Term Debt Cost				
Short-Term Debt Interest Expense	722	Short-Term Debt x Short-Term Debt Cost				
OBS Debt Interest Expense	2,778	OBS Debt x OBS Debt Cost				
Interest Expense	21,788	S&P Guideline A rating, BP 5	S&P Guideline BBB rating, BP 5			
FFO Interest Coverage	3.6	3.8	4.5	2.8	3.8	
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BBB</b>					
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<b>Total Debt/Total Capital</b>						
Total Debt	348,838	See above				
Preferred Stock	5,350	See above				
Equity	224,700	See above				
Total Capital	578,888	S&P Guideline A rating, BP 5	S&P Guideline BBB rating, BP 5			
Total Debt/Total Capital	60.3%	42%	50%	50%	60%	
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BB</b>					

Note (1): ROE after impact of PCAM sharing mechanism.

**PacifiCorp Washington**  
**Financial Ratio Analysis**  
(\$thousands unless otherwise noted)  
**Staff Case (\$25M Adverse Power Costs)**

Inputs	Washington Jurisdictional	Comment
Rate Base	535,000	Elgin Exhibit KLE-3
Total System OBS Debt	537,000	per S&P March 2006 publications
Washington Allocator	8.1728%	SO Factor
Total System Imputed Lease Depreciation	17,200	PacifiCorp
Adverse Power Costs	25,000	
Tax Rate	35.0%	Elgin Exhibit KLE-3

Staff PCAM Sharing Bands (Company Absorbs):				Expense Abs by Co	
First		4,000	100%	4,000	
Next	4,001	To	10,000	50%	3,000
Over	10,001			10%	1,500
				Total Expense Absorbed	8,500
				PCAM NOI Impact	(5,525)

WACC	Amount	Weight	Cost	Wtd Cost	ROE (1)
Long-Term Debt	288,900	54.00%	6.33%	3.42%	
Short-Term Debt	16,050	3.00%	4.50%	0.14%	
Preferred Stock	5,350	1.00%	6.46%	0.06%	
Common Equity	224,700	42.00%	10.20%	4.28%	<b>7.74%</b>
<b>Total</b>	<b>535,000</b>	<b>100.00%</b>		<b>7.90%</b>	

WACC Including OBS Debt	Amount	Weight	Cost	Wtd Cost
Long-Term Debt	288,900	49.91%	6.33%	3.16%
Short-Term Debt	16,050	2.77%	4.50%	0.12%
OBS Debt	43,888	7.58%	6.33%	0.48%
<b>Total Debt</b>	<b>348,838</b>	<b>60.26%</b>		<b>3.76%</b>
Preferred Stock	5,350	0.92%	6.46%	0.06%
Common Equity	224,700	38.82%	10.20%	3.96%
<b>Total</b>	<b>578,888</b>	<b>100.00%</b>		<b>7.78%</b>

Funds from Operations (FFO)/Total Debt	Amount	Comment
Net Income to Common	22,919	Rate Base x Weighted Cost of Common Equity
PCAM NOI Impact	(5,525)	See above
Depreciation	28,343	Input
Amortization	3,916	Input
Deferred Income Tax	5,665	Input
Funds from Operations (FFO)	55,318	
Imputed Lease Depreciation	1,406	Total Sys Imputed Depr x Washington Allocator
FFO, adjusted	56,724	
Long-Term Debt	288,900	Rate Base x Long-Term Debt Ratio
Short-Term Debt	16,050	Rate Base x Short-Term Debt Ratio
OBS Debt	43,888	Total System OBS Debt x Washington Allocator
<b>Total Debt</b>	<b>348,838</b>	<b>S&amp;P Guideline</b> <b>A rating, BP 5</b>
		<b>S&amp;P Guideline</b> <b>BBB rating, BP 5</b>
FFO/Total Debt	<b>16.3%</b>	22%    30%    15%    22%
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BBB</b>	

Funds from Operations (FFO) Interest Coverage	Amount	Comment
Funds from Operations (FFO)	55,318	See above
Long-Term Debt Interest Expense	18,287	Long-Term Debt x Long-Term Debt Cost
Short-Term Debt Interest Expense	722	Short-Term Debt x Short-Term Debt Cost
OBS Debt Interest Expense	2,778	OBS Debt x OBS Debt Cost
Interest Expense	21,788	<b>S&amp;P Guideline</b> <b>A rating, BP 5</b>
		<b>S&amp;P Guideline</b> <b>BBB rating, BP 5</b>
FFO Interest Coverage	<b>3.5</b>	3.8    4.5    2.8    3.8
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BBB</b>	

Total Debt/Total Capital	Amount	Comment
Total Debt	348,838	See above
Preferred Stock	5,350	See above
Equity	224,700	See above
<b>Total Capital</b>	<b>578,888</b>	<b>S&amp;P Guideline</b> <b>A rating, BP 5</b>
		<b>S&amp;P Guideline</b> <b>BBB rating, BP 5</b>
Total Debt/Total Capital	<b>60.3%</b>	42%    50%    50%    60%
<i>Implied S&amp;P Bond Rating (Business Position: 5)</i>	<b>BB</b>	

Note (1): ROE after impact of PCAM sharing mechanism.