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,	<b>)</b>
Complainant,	) Docket No. UE-061546
vs.	)
PACIFICORP dba Pacific Power & Light Company,	
Respondent.	) ) )
In the Matter of the Petition of	<b>)</b>
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)

		Washington	_			
Inputs		Jurisdictional	Comment			
Rate Base			Elgin Exhibi			
Total System OBS Debt			•	rch 2006 pub	lications	
Washington Allocator			SO Factor			
Total System Imputed Lease Depreciation		•	PacifiCorp			
Adverse Power Costs		0				
Tax Rate		35.0%	Elgin Exhibi	t KLE-3		_
						Expense
Staff PCAM Sharing Bands (Company Absorbs):						Abs by Co
	First			4,000	100%	0
	Next	4,001	То	10,000	50%	0
	Over	10,001			10%	0
				Total Expens		0
				PCAM	NOI Impact	0
W4.00		A	\A/a;abt	Coot	Wtd Coot	BOE (1)
WACC Long-Term Debt		Amount 288,900	Weight 54.00%	Cost 6,33%	Wtd Cost 3.42%	ROE (1)
Short-Term Debt		16,050	3.00%	4.50%	0.14%	
Preferred Stock		5,350	1.00%	6.46%	0.06%	
			42.00%	10.20%	4.28%	10.20%
Common Equity	_	224,700		10.20%		10.20%
Total	=	535,000	100.00%	=	7.90%	
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%		0.48%	
Total Debt		348,838	60.26%	. 0.00.70_	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%	10.2070_	7.78%	
Total	=	0.0,000		=		
Funds from Operations (FFO)/Total Debt			Comment			
Net Income to Common		22,919	Rate Base x	Weighted Co	st of Commo	on 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 Im	puted Depr x	Washington	Allocator
FFO, adjusted	_	62,249				
Lana Tarm Dobt		200 000	Data Basa y	Long-Term D	oht Patio	
Long-Term Debt				Short-Term [		
Short-Term Debt						Allegator
OBS Debt	_			n OBS Debt x		
Total Debt		348,838	S&P Gi A rating		S&P Gu BBB retir	
FFO/Total Debt	_	17.8%	22%	30%	15%	22%
Implied S&P Bond Rating (Business Position: 5)	=	BBB		-	•	
mprod da. Zena namg (Zeemeer remem e)						
Funds from Operations (FFO) Interest Coverage	<u> </u>					
Funds from Operations (FFO)		60,843	See above			
Long-Term Debt Interest Expense		18.287	Long-Term [	Debt x Long-T	erm Debt Co	ost
Short-Term Debt Interest Expense				Debt x Short-		
OBS Debt Interest Expense				OBS Debt Co		001
Interest Expense	_	21,788	S&P Gi		S&P Gu	ideline
Interest Expense		21,700	A rating		BBB ratin	
FFO Interest Coverage	_	3.8	3.8	4.5	2.8	3.8
Implied S&P Bond Rating (Business Position: 5)	-	BBB	+			
Total Debt/Total Capital		040.000	0			
Total Debt		•	See above			
Preferred Stock		•	See above			
Equity		<del></del>	See above			
Total Capital		578,888	S&P Gu		S&P Gu	
Total Debt/Total Capital	_	60.3%	A rating 42%	1, BP 5 50%	BBB ratin 50%	g, BP 5 60%
Total Debt/Total Capital	_	80.3 % BB	7C./0	JU /B	JU 10	GU /6
Implied S&P Bond Rating (Business Position: 5)		ВВ				

### PacifiCorp Washington

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

•						
		Washington				
Inputs		Jurisdictional	Comment	VI E O		
Rate Base		·	Elgin Exhibit	rch 2006 pub	licatione	
Total System OBS Debt Washington Allocator			SO Factor	1011 2000 pub	lications	
Total System Imputed Lease Depreciation			PacifiCorp			
Adverse Power Costs		5,000	. астостр			
Tax Rate		35.0%	Elgin Exhibit	KLE-3		
						Expense
Staff PCAM Sharing Bands (Company Absorbs):					4000/	Abs by Co
	First	4.004	<b>T</b> -	4,000	100%	4,000
	Next Over	4,001	То	10,000	50% 10%	500 0
	Ovei	10,001		Total Expense	_	4,500
					NOI Impact	(2,925)
					. =	
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%	0.009/
Common Equity	_	224,700	42.00%	10.20% _	4.28%	8.90%
Total	_	535,000	100.00%	=	7.90%	
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%	
Funda from Operations (FEO)/Total Daht			Comment			
Net Income to Common		22 919		Weighted Co	st of Commo	on Fauity
Net income to common		22,010	Tidlo Baco x	rroiginoa oo	0.0.0.00	on 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	Tatal Cua las	mutad Dansu	Machinatan	Allocator
Imputed Lease Depreciation		59,324	lotal Sys im	puted Depr x	wasnington	Allocator
FFO, adjusted		33,024				
Long-Term Debt		288,900	Rate Base x	Long-Term D	ebt Ratio	
Short-Term Debt		16,050	Rate Base x	Short-Term [	Debt Ratio	
OBS Debt				n OBS Debt x		
Total Debt		348,838	S&P Gi		S&P Gu	
CEO/Total Dobt	_	17.0%	A rating 22%	), BP 5 30%	BBB ratin	22%
FFO/Total Debt	_	BBB	. 44.0	JU 76	1070	££.70
Implied S&P Bond Rating (Business Position: 5)		888				
Funds from Operations (FFO) Interest Coverage						
Funds from Operations (FFO)		57,918	See above			
Long-Term Debt Interest Expense				Debt x Long-T		
Short-Term Debt Interest Expense				Debt x Short-		ost
OBS Debt Interest Expense	_	2,778	OBS Debt X S&P GL	OBS Debt Co	S&P Gu	idolina
Interest Expense		21,700	A rating		BBB ratin	
FFO Interest Coverage	_	3.7	3.8	4.5	2.8	3.8
Implied S&P Bond Rating (Business Position: 5)	_	BBB	•			
p car bond rading (backness , come.n. c)						
Total Debt/Total Capital						
Total Debt		·	See above			
Preferred Stock		,	See above			
Equity	_		See above	idolie -	Den O	dollo-
Total Capital		578,888	S&P Gu A rating		S&P Gu BBB ratin	
Total Debt/Total Capital	_	60.3%	42%	, or o 50%	50%	60%
Implied S&P Bond Rating (Business Position: 5)	_	BB			T	
pou our bond riding (buoinous roomon. o)						

#### PacifiCorp Washington Financial Ratio Analysis

## (\$thousands unless otherwise noted) Staff Case (\$10M Adverse Power Costs)

	Washington				
Inputs	Jurisdictional	Comment			
Rate Base		Elgin Exhibit			
Total System OBS Debt	537,000	per S&P Ma	rch 2006 pub	lications	
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		
					Expense
Staff PCAM Sharing Bands (Company Absorbs):				-	Abs by Co
First			4,000	100%	4,000
Next	4,001	То	10,000	50%	3,000
Over	10,001			10%	0
		•	Total Expens	e Absorbed	7,000
			PCAM	NOI Impact	(4,550)
				-	
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%	8.18%
	535,000	100.00%	10.2070	7.90%	
Total =	535,000	100.00%		7.90 /6	
MACC Including ORC Dobt	Ama	\Maiah+	Cont	Wtd Cost	
WACC Including OBS Debt	Amount		Cost 6.33%	3.16%	
Long-Term Debt	288,900	49.91%			
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%	
Funds from Operations (FFO)/Total Debt		Comment			
Net Income to Common	22,919	Rate Base x	Weighted Co	ost of Comm	on 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 Im	puted 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 >	<ul><li>Washingtor</li></ul>	Allocator
Total Debt	348,838	S&P Gu	iideline	S&P Gu	ideline
		A rating	, BP 5	BBB ratir	ig, BP 5
FFO/Total Debt	16.5%	22%	30%	15%	22%
Implied S&P Bond Rating (Business Position: 5)	BBB	=			
implied our bond riding (business t come in c)					
Funds from Operations (FFO) Interest Coverage					
Funds from Operations (FFO)	56.293	See above			
rando nom oporations (r r o)	33,230				
Long-Term Debt Interest Expense	18 287	Long-Term [	ebt x Long-1	Term Debt Co	ost
Short-Term Debt Interest Expense		Short-Term I			
·		OBS Debt x			
OBS Debt Interest Expense	21,788	S&P GL		S&P Gu	ideline
Interest Expense	21,700	A rating		BBB ratir	
FFO Interest Coverage	3.6	3.8	4.5	2.8	3.8
~ · · · · · · · · · · · · · · · · · · ·		- 0.0			0
Implied S&P Bond Rating (Business Position: 5)	BBB				
Total Daht/Total Conital					
Total Debt/Total Capital	040.000	Coo abarra			
Total Debt		See above			
Preferred Stock	•	See above			
Equity		See above	*.1.4*	~~~	(J_1)
Total Capital	578,888	S&P Gu		S&P Gu	
		A rating	, BP 5	BBB ratir	ig, BP 5
	22.551	1881	# AA*	#AA!	000
Total Debt/Total Capital	60.3% BB	42%	50%	50%	60%

### PacifiCorp Washington

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

	Washington				
Inputs	Jurisdictional	Comment			
Rate Base		Elgin Exhibit		!:a_#:a_a	
Total System OBS Debt	·	per S&P Mai	rcn 2006 pub	lications	
Washington Allocator		SO Factor PacifiCorp			
Total System Imputed Lease Depreciation	25,000	racinoorp			
Adverse Power Costs Tax Rate		Elgin Exhibit	KLE-3		
rax nate	00.070	g			Expense
Staff PCAM Sharing Bands (Company Absorbs):					Abs by Co
First			4,000	100%	4,000
Next	4,001	То	10,000	50%	3,000
Over	10,001			10%_	1,500
			Total Expens		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%	7.74%
Total	535,000	100.00%	_	7.90%	
-			- -	\A(4-d) C	
WACC Including OBS Debt	Amount		Cost	3.16%	
Long-Term Debt	288,900	49.91%	6.33% 4.50%	0.12%	
Short-Term Debt	16,050 43,888	2.77% 7.58%	6.33%	0.12%	
OBS Debt	348,838	60.26%	0.55 /6_	3.76%	
Total Debt	5,350	0.92%	6.46%	0.06%	
Preferred Stock Common Equity	224,700	38.82%	10.20%	3.96%	
Total	578,888	100.00%		7.78%	
=			=		
Funds from Operations (FFO)/Total Debt		Comment			
Net Income to Common	22,919	Rate Base x	Weighted Co	ost of Commo	on Equity
PCAM NOI Impact		See above			
Depreciation	28,343				
Amortization	3,916	•			
Deferred Income Tax	5,665 55,318	_input			
Funds from Operations (FFO)		Total Sys Im	puted Depr x	Washington	Allocator
Imputed Lease Depreciation FFO, adjusted	56,724	_ , o.a. o, o	рания		
110, adjusted	,				
Long-Term Debt	288,900	Rate Base x	Long-Term [	Debt Ratio	
Short-Term Debt		Rate Base x			
OBS Debt		Total Systen			
Total Debt	348,838	S&P G		S&P Gu BBB ratir	
	16.3%	A rating	30%	15%	22%
FFO/Total Debt			00 %	,,,,	££ /C
Implied S&P Bond Rating (Business Position: 5)	BBB				
Funds from Operations (FFO) Interest Coverage					
Funds from Operations (FFO)	55,318	See above			
	10.007		7abt v 1 aas 7	Form Dobt C	oot
Long-Term Debt Interest Expense		Long-Term ( Short-Term			
Short-Term Debt Interest Expense		OBS Debt x			0031
OBS Debt Interest Expense	21,788	S&P Gi		S&P GL	ideline
Interest Expense	21,700	A rating		BBB ratir	
FFO Interest Coverage	3.5	3.8	4.5	2.8	3.8
Implied S&P Bond Rating (Business Position: 5)	BBB	=			
mphot sair some maning (Laboritos Control sy					
Total Debt/Total Capital					
Total Debt		See above			
Preferred Stock		See above			
Equity		See above	delelie e	0000	idoli <b>ce</b>
Total Capital	578,888	S&P G		S&P Gu BBB ratir	
Total Debt/Total Conitel	60.3%	A rating	3, BF 5 50%	50%	19, DE 3 60%
Total Debt/Total Capital	88 BB	=	- U-0-0		
Implied S&P Bond Rating (Business Position: 5)	20				

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