

Revised Exhibit No. ___(LOM-4C)
Docket No. UE-032065
2003 PP&L Rate Case
Witness: Larry O. Martin

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light
Company,

Respondent.

Docket No. UE-032065

PACIFICORP

REVISED REDACTED HIGHLY CONFIDENTIAL EXHIBIT OF LARRY O. MARTIN

PacifiCorp's Response to Public Counsel Data Request 18

July 2004

Public Counsel Data Request 18

The following questions all relate to the Company's proposed adjustment to amortize as an expense settlement payments made to the IRS during fiscal years 2003 and 2004 (page 7.7):

- a. Please provide a detailed description of each contested component for which the tax settlement was made, stating at a minimum the nature of the items in dispute, identifying, when applicable, whether the dispute was related to a permanent book/tax difference or merely a timing difference.
- b. Provide copies of all Revenue Agent Reports addressing the issues that were in dispute.
- c. State the settlement amount by disputed item by year of liability occurrence.
- d. For each *timing* difference in dispute, state whether the item was historically afforded normalization or flow-through treatment in Washington.
- e. Provide the accounting for the settlement payment, showing specifically the extent to which – if any – the payment was charged against an accumulated deferred tax reserve. If the payment was partially charged against different accumulated deferred tax reserves and partially to current period expense, provide a detailed distribution of such charges.
- f. To the extent the settlement payment may have been associated with a *timing* difference which was afforded flow-through treatment in Washington, please provide the flow-through amount for such timing difference in the rate case occurring just period to the dispute period. In other words, if the settlement was for a timing difference afforded flow-through treatment for tax years 1991, 1992 and 1993, provide the flow-through amount for such timing difference for the rate case immediately preceding 1991 as well as any rate case amount flowed through in 1992 and 1993.
- g. Provide copies of, or docket numbers for, any other state regulatory orders (i.e., other than Washington) that have approved the Company's proposed ratemaking treatment for this item.
- h. Provide basis for, and actual calculations underlying, any contingency reserves established in all prior years against which some or all the noted IRS settlement payment was charged.
- i. Provide a copy of the actual settlement document.

Response to Public Counsel Data Request 18

- a. Please refer to WUTC Staff Request 124 including the Company's supplemental response thereto.
- b. Provided are redacted copies of Form 870-AD for the 1991-1993 appealed items as Highly Confidential Attachment Public Counsel 18b-1. Form 870 for the 1994-1998 agreed items is provided as Highly Confidential Attachment Public Counsel 18b-2, and Form 870-P for Pacific Minerals, Inc. (Bridger Coal Company) is provided as Highly Confidential Attachment Public Counsel 18b-3. This information is subject to the terms and conditions of the protective order in this proceeding governing the treatment of confidential information. Form 870-AD for the 1994-1998 unagreed items has been received and will be forthcoming.
- c. Please refer to WUTC Staff Request 124 including the Company's supplemental response thereto.
- d. In PacifiCorp's last litigated rate case in Washington in 1986, the only timing differences that were allowed normalization treatment were method and life differences, the Malin Safe Harbor Lease, and Investment Tax Credits. Since then, the Commission issued an order related to gain on sales of emission allowances which allowed tax normalization of amortization of the gains. Deferred Compensation and Emergency Facilities are timing differences treated as flow-through historically. The Tax Reform Act of 1986 created tax basis items for CIAC and Avoided Cost, which are now normalized and have been since 1987. No other timing differences are included in PacifiCorp's Washington rates.
- e. The tax settlement payment was charged against current taxes payable. Current taxes payable had been credited in prior years for the anticipated IRS settlement. The Company's fixed asset software computes the deferred taxes on these adjustments. This system calculates deferred taxes on a mass asset basis and therefore, specific identification by issue is not available.
- f. The only issues related to the Settlement that could have had prior flow-through treatment in Washington and are included in customer rates are Deferred Compensation and Emergency Facilities. However, the Emergency Facilities deferred tax has no corresponding Schedule M item. The current impact of Emergency Facilities is included in book depreciation, so this is not part of the IRS Settlement. Deferred Compensation was not an issue in the Settlement.
- g. Idaho has historically allowed the Company to recover final IRS tax settlement payments. See IPUC Order No 20523 (May 29, 1986) and No. 21302 (July 1, 1987). Regulatory treatment in other jurisdictions with regard to this issue is unknown.

- h. Please refer to response to WUTC Staff Request 123. PacifiCorp has provided Public Counsel copies of its responses to WUTC Staff requests. If this response can't be located, please contact the Company.

- i. Settlement documents, Form 870, are provided in response to Public Counsel Request 18b.

Responder: Larry O. Martin

Witness: Larry O. Martin

HIGHLY CONFIDENTIAL

Form **870-AD**
(rev. 04/1992)

Request for Waiver of Restrictions on the Disclosure of the Information
of Tax Deficiency and to Allow the Taxpayer to Obtain a Ruling
Per protective order
AUG 10 10 45 AM '93
UE-032065

Labels:
LM:SE:WAL:REW

Name of Taxpayer:
PacifiCorp and Subsidiaries

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SSN or EIN:
93-0246090

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Per protective order in
WUTC docket no. UE-032065

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HIGHLY CONFIDENTIAL
Per protective order in
WUTC docket no. UE-032065

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|----------------------------|---|----------------------------------|
| n 3610 :AP:LC) | Department of the Treasury - Internal Revenue Service Audit Statement | Page 7 of 66 AP:LMSB:SF:RW:RL |
| e of Taxpayer | SSN or EIN | Date Prepared |
| ACIFICORP AND SUBSIDIARIES | 93-0246090 | April 5, 2002 |

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HIGHLY CONFIDENTIAL
Per protective order in
WUTC docket no. UE-032065

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| 5278 P:LC) | Department of the Treasury - Internal Revenue Service Statement - Income Tax Changes | Return Form No. 1120 | Schedule No. 1 Page 1 of 1 |
| of Taxpayer | | <input type="checkbox"/> Notice of Deficiency | <input type="checkbox"/> Other |
| CIFICORP AND SUBSIDIARIES | | <input checked="" type="checkbox"/> Settlement Computation | |
| Tax Years Ended | | | |

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Per protective order in
WUTC docket no. UE-032065

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Per protective order in

WTC docket no UE-032065

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Summary Schedule of Income Issues

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Per protective order in

WJTC docket no DE-032065

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Summary Schedule of Income Issues

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Per protective order in

WTC docket no UE-032065

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WUTC docket # VE-032065

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Per protective order in

WUTC docket # 03-0065

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Per protective order in

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Per protective order in
WUTC docket no. UE-032065

Pacificorp and Subsidiaries
AMT & ACE Depreciation - 1991

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Exhibit B1

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WUTC docket no. UE-032065

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Pacificorp and Subsidiaries
AMT & ACE Depreciation - 1992

Exhibit B1
Page 2 of 3

Exhibit No. (LOM-4C)
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Pacificorp and Subsidiaries
AMT & ACE Depreciation - 1993

Exhibit B1

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Per protective order in
WUTC docket no. UE-032065

Pacificorp and Subsidiaries
Basis Detail for AMT and ACE Adjustments

Page 53
Exhibit B3

Pacificorp and Subsidiaries

Exhibit C

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Per protective order in
WUTC docket no. UE-032065

Pacificorp and Subsidiaries

Exhibit D

Pacificorp and Subsidiaries

Exhibit D1

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Per protective order in
WUTC docket no. UE-032065

Department of the Treasury—Internal Revenue Service

Date received by
Internal Revenue Service

Form **870**
(Rev. March 1992)

**Waiver of Restrictions on Assessment and Collection of
Deficiency in Tax and Acceptance of Overassessment**

Names and address of taxpayers (Number, street, city or town, State, ZIP code)

PacifiCorp And Subsidiaries
825 N.E. Multnomah St.
Suite 1900
Portland, Or. 97232

Social security or employer
identification number

93-0246090

18-02 08:19 FROM: PACI

RP TAX
Exhibit No. (LOM-4C)
Page 27 of 66
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ID: 50 **HIGHLY CONFIDENTIAL** 3/
Per protective order in
WUTC docket no. UE-032065

Name of Taxpayer:
Identification Number: 93-0246090

HIGHLY CONFIDENTIAL
Per protective order in
WUTC docket no. UE-032065

State
Form 4549-A

Name and Address of Taxpayers

S.S. or E.I. Number
93-0246090

Filing Status
Corporate

FaciCorp And Subsidiaries
825 N.E. Multnomah St.
Suite 1900
Portland, Or. 97232

Person With
Whom Examination
Changes were
Discussed

Name and Title

Substitute Form 4549-A Department of the Treasury - Internal Revenue Service Income Tax Examination Changes

Per protective order in WUTC docket no. UE-032065

| | | |
|---|---|----------------------------|
| Name and Address of Taxpayers | S.S. or E.I. Number 93-0246090 | Filing Status Corporate |
| PacificCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Person With Whom Examination Changes were Discussed | Name and Title |

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3-02 08:20 FROM: PACI

RP TAX

ID: 507820
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Per protective order in
WUTC docket no. UE-032065

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-18-02 08:21 FROM: PAC

RP TAX
Exhibit No. (LOM-4C)
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HIGHLY CONFIDENTIAL
Protective order in
WUTC docket no. UE-032065

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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Sec. Sec. or Employer Ident. Number 93-0246090 | |

3-02 08:22 FROM: PAC

RP TAX

Exhibit No. (LOM-4C)
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Per protective order in
WUTC docket no. UE-032065

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| Department of the Treasury - Internal Revenue Service | |
| Income Tax Examination Changes | |
| Substitute For Form 4549-B | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.F. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 |

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Per protective order in
WUTC docket no. UE-032065

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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Income Tax Examination Changes | |
| | Soc. Sec. or Employer Ident. Number | |
| | 93-0246090 | |

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RP TAX Exhibit No. (LOM-4C)
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Per protective order in
WUTC docket no. UE-032065

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| Substitute for Form 1549-a | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

B-02 08:24 FROM: PACI

RP TAX Exhibit No. (LOM-4C)
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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

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| Income Tax Examination Changes | |
| Substitute for Form 1545-B | Soc. Sec. or Employer Ident. Number 93-0246090 |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | |

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| Substitute For Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

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| Department of the Treasury - Internal Revenue Service | |
| Income Tax Examination Changes | |
| Substitute For Form 4549-B | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1500 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 |

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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0216090 | |

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| Substitute For Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Sec. Sec. or Employer Ident. Number 93-0246090 | |

8-02 08:28 FROM: PACIFIC CORP TAX

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for protective order in
WUTC docket no. UE-03206!

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| Substitute for Form 1549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacificCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

-02 08:30 FROM: PACIFIC CORP TAX

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| Substitute for Form 4549-B | | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacificCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | | Soc. Sec. or Employer Ident. Number 93-0246090 | |

-02 08:31 FROM: PACIFIC CORP TAX

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| Substitute For Form 4549-D | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

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| Substitute for Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 925 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

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| Substitute For Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | Soc. Sec. or Employer Ident. Number 93-0246090 | |

3-02 08:32 FROM: PACIFIC CORP TAX

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| Department of the Treasury - Internal Revenue Service | |
|---|---|
| Income Tax Examination Changes | |
| Substitute For Form 4549-B | Sec. Sec. or Employer Ident. Number 93-0246090 |
| Name and Address of Taxpayer: PacifiCorp And Subsidiaries 625 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | |

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| Substitute For Form 4549-B | Department of the Treasury - Internal Revenue Service Income Tax Examination Changes | |
| Name and Address of Taxpayer: PacifiCorp And Subsidiaries 825 N.E. Multnomah St. Suite 1900 Portland, Or. 97232 | SOC. SEC. or Employer Ident. Number 93-0246090 | |

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| Form 870-P (Rev. 6-93) | Department of the Treasury - Internal Revenue Service AGREEMENT TO ASSESSMENT AND COLLECTION OF DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS | IN REPLY REFER TO: |
| Taxpayer(s) name(s), address and ZIP code Pacific Minerals, Inc. 825 NE Multnomah Street, Suite #1900 Portland, OR 97232-2152 | Name of partnership Bridger Coal Company Taxpayer identifying number 93-6091601 | Tax year(s) ended December 31, 1994, 1995, 1996 |
| | Name of tax matters partner Pacific Minerals, Inc. | |
| Taxpayer Identifying Number ▶ 93-0625256 | | |

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Per protective order in
WUTC docket no. UE-032065

Department of the Treasury - Internal Revenue Service

**AGREEMENT TO ASSESSMENT AND COLLECTION OF
DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS**

SCHEDULE OF ADJUSTMENTS

| NAME OF PARTNERSHIP Bridger Coal Company TAXPAYER IDENTIFYING NUMBER 93-6091601 | TAX YEAR(S) ENDED | | |
|---|-------------------|----------|----------|
| | 12-31-94 | 12-31-95 | 12-31-96 |
| | | | |

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|---|---|--|
| Form 870-P (Rev. 6-93) | Department of the Treasury - Internal Revenue Service AGREEMENT TO ASSESSMENT AND COLLECTION OF DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS | IN REPLY REFER TO: |
| Taxpayer(s) name(s), address and ZIP code Idaho Energy Resources P.O. Box 70 Boise, ID 83707 Taxpayer Identifying Number ▶ 83-0221409 | Name of partnership Bridger Coal Company Taxpayer identifying number 93-6091601 | Tax year(s) ended December 31, 1994, 1995, 1996 |
| | Name of tax matters partner Pacific Minerals, Inc. | |

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WUTC docket no. UE-032065

Department of the Treasury - Internal Revenue Service

**AGREEMENT TO ASSESSMENT AND COLLECTION OF
DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS**

SCHEDULE OF ADJUSTMENTS

| NAME OF PARTNERSHIP Bridger Coal Company TAXPAYER IDENTIFYING NUMBER 93-6091601 | TAX YEAR(S) ENDED | | |
|---|-------------------|----------|----------|
| | 12-31-94 | 12-31-95 | 12-31-96 |
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HIGHLY CONFIDENTIAL
Per protective order in
WUTC docket no. UE-032065

Internal Revenue Service

Department of the Treasury

Date: April 25, 2002

Re:

Bridger Coal Company

Taxpayer Identifying Number:

93-6091601

Tax Year:

12-31-94, 12-31-95, 12-31-96

Form:

1065

Person to Contact:

Pacific Minerals Inc.
825 NE Multnomah Street, Suite #1900
Portland, OR 97232-2152

Department of the Treasury - Internal Revenue Service

Form 870-P
(Rev. 6-93)

**AGREEMENT TO ASSESSMENT AND COLLECTION OF
DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS**

IN REPLY
REFER TO:

Taxpayer(s) name(s), address and ZIP code

Pacific Minerals, Inc.
825 NE Multnomah Street, Suite #1900
Portland, OR 97232-2152

Name of partnership

Bridger Coal Company
Taxpayer identifying number 93-6091601

Tax year(s) ended

December 31,
1994, 1995,
1996

Name of tax matters partner

Pacific Minerals, Inc.

Taxpayer Identifying Number ► 93-0625256

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Department of the Treasury - Internal Revenue Service

**AGREEMENT TO ASSESSMENT AND COLLECTION OF
DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS**

SCHEDULE OF ADJUSTMENTS

NAME OF PARTNERSHIP

Bridger Coal Company

TAXPAYER IDENTIFYING NUMBER 93-6091601

TAX YEAR(S) ENDED

12-31-94

12-31-95

12-31-96

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|---|---|--|
| Form 870-P (Rev. 6-93) | Department of the Treasury - Internal Revenue Service AGREEMENT TO ASSESSMENT AND COLLECTION OF DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS | IN REPLY REFER TO: |
| Taxpayer(s) name(s), address and ZIP code Idaho Energy Resources P.O. Box 70 Boise, ID 83707 Taxpayer Identifying Number ▶ 83-0221409 | Name of partnership Bridger Coal Company Taxpayer identifying number 93-6091601 Name of tax matters partner Pacific Minerals, Inc. | Tax year(s) ended December 31, 1994, 1995, 1996 |

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Per protective order in
WUTC docket no. UE-032065

Department of the Treasury - Internal Revenue Service

**AGREEMENT TO ASSESSMENT AND COLLECTION OF
DEFICIENCY IN TAX FOR PARTNERSHIP ADJUSTMENTS**

SCHEDULE OF ADJUSTMENTS

| NAME OF PARTNERSHIP | TAX YEAR(S) ENDED | | |
|--|-------------------|----------|----------|
| | 12-31-94 | 12-31-95 | 12-31-96 |
| Bridger Coal Company TAXPAYER IDENTIFYING NUMBER 93-6091601 | | | |

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Per protective order in
WUTC docket no. UE-032065

Department of the Treasury

Internal Revenue Service

Re:

Bridger Coal Company

Date: April 25, 2002

Taxpayer Identifying Number:

93-6091601

Tax Year:

12-31-94, 12-31-95, 12-31-96

Form:

1065

Pacific Minerals Inc.
825 NE Multnomah Street, Suite #1900
Portland, OR 97232-2152

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WUTC docket no. UE-032065

Department of the Treasury—Internal Revenue Service

**Examination Changes - Partnerships, Fiduciaries, S Corporations, and
Interest Charge Domestic International Sales Corporations**

Form **4605-A**
(Rev. September 1986)

Name and address

~~Bridger Coal Company~~
825 NE Multnomah Street, Suite 1900
Portland, OR 97232-2152

Employer Identification Number

93-6091601

Form Number

1065

Person Examination
Changes Were
Discussed With

Name

Title

~~NOT CONFIDENTIAL~~
Per protective order in
WUTC docket no. UE-032065

Form 4549-B | Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

| | |
|---|--|
| Name and Address of Taxpayer Jger Coal Company | Social Security or Employer Identification Number 93-6091601 |
|---|--|