

Exh. JH-3

Dockets UE-230172 and UE-210852

Witness: Joanna Huang

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

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

Respondent.

**DOCKETS UE-230172 and
UE-210852 (Consolidated)**

In the Matter of

**ALLIANCE OF WESTERN ENERGY
CONSUMERS'**

**Petition for Order Approving Deferral of
Increased Fly Ash Revenues**

EXHIBIT TO TESTIMONY OF

JOANNA HUANG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

*Results of Operations and Revenue Requirement
Analysis for Rate Year 2*

September 14, 2023

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(From Year 1 - Results Tab)				(3) + (4)		(5) + (6)
	Total Normalized Results	Year 1 Price Change	Year 1 Results with Price Change	Year 2 Pro Forma Adjustments	Total Year 2 Adjusted Results	Year 2 Price Change	Year 2 Results with Price Change
Operating Revenues:							
General Business Revenues	405,024,316	16,621,098	421,645,414	-	421,645,414	26,063,309	447,708,723
Interdepartmental	-	-	-	-	-	-	-
Special Sales	20,170,215	-	20,170,215	-	20,170,215	-	20,170,215
Other Operating Revenues	20,654,359	-	20,654,359	2,100,781	22,755,140	-	22,755,140
Total Operating Revenues	445,848,891	16,621,098	462,469,989	2,100,781	464,570,769	26,063,309	490,634,078
Operating Expenses:							
Steam Production	58,729,769	-	58,729,769	120,647	58,850,416	-	58,850,416
Nuclear Production	-	-	-	-	-	-	-
Hydro Production	3,411,022	-	3,411,022	42,899	3,453,921	-	3,453,921
Other Power Supply	175,427,977	-	175,427,977	468,524	175,896,501	-	175,896,501
Transmission	19,734,290	-	19,734,290	41,939	19,776,230	-	19,776,230
Distribution	18,372,396	-	18,372,396	283,467	18,655,863	-	18,655,863
Customer Accounting	6,707,277	93,008	6,800,285	64,891	6,865,176	145,845	7,011,021
Customer Service & Info Sales	702,716	-	702,716	26,362	729,078	-	729,078
Administrative & General	14,487,191	-	14,487,191	56,172	14,543,363	-	14,543,363
Total O&M Expenses	297,572,638	93,008	297,665,647	1,104,901	298,770,548	145,845	298,916,393
Depreciation	55,566,434	-	55,566,434	7,746,703	63,313,138	-	63,313,138
Amortization	15,472,659	-	15,472,659	(5,780,427)	9,692,232	-	9,692,232
Taxes Other Than Income	28,898,160	710,286	29,608,446	1,882,727	31,491,173	1,113,789	32,604,962
Income Taxes - Federal	(13,955,565)	3,321,739	(10,633,826)	(4,245,032)	(14,878,858)	5,208,772	(9,670,086)
Income Taxes - State	-	-	-	-	-	-	-
Income Taxes - Def Net	(2,772,524)	-	(2,772,524)	2,880,542	108,018	-	108,018
Investment Tax Credit Adj.	-	-	-	-	-	-	-
Misc Revenue & Expense	(98,259)	-	(98,259)	-	(98,259)	-	(98,259)
Total Operating Expenses:	380,683,544	4,125,033	384,808,577	3,589,414	388,397,991	6,468,406	394,866,397
Operating Rev For Return:	65,165,347	12,496,065	77,661,411	(1,488,633)	76,172,779	19,594,903	95,767,681
Rate Base:							
Electric Plant In Service	2,404,039,144	-	2,404,039,144	334,148,579	2,738,187,723	-	2,738,187,723
Plant Held for Future Use	467,185	-	467,185	-	467,185	-	467,185
Misc Deferred Debits	392,247	-	392,247	(489,243)	(96,997)	-	(96,997)
Elec Plant Acq Adj	115,844	-	115,844	-	115,844	-	115,844
Nuclear Fuel	-	-	-	-	-	-	-
Prepayments	0	0	0	-	0	-	0
Fuel Stock	-	-	-	-	-	-	-
Material & Supplies	0	0	0	-	0	-	0
Working Capital	29,873,668	-	29,873,668	-	29,873,668	-	29,873,668
Weatherization	3,312	-	3,312	-	3,312	-	3,312
Misc Rate Base	-	-	-	-	-	-	-
Total Electric Plant:	2,434,891,400	-	2,434,891,400	333,659,336	2,768,550,735	-	2,768,550,735
Rate Base Deductions:							
Accum Prov For Deprec	(1,005,478,694)	-	(1,005,478,694)	(51,251,439)	(1,056,730,133)	-	(1,056,730,133)
Accum Prov For Amort	(64,932,897)	-	(64,932,897)	(4,541,117)	(69,474,014)	-	(69,474,014)
Accum Def Income Tax	(164,918,678)	-	(164,918,678)	(19,010,143)	(183,928,821)	-	(183,928,821)
Unamortized ITC	(14,943)	-	(14,943)	-	(14,943)	-	(14,943)
Customer Adv For Const	(7,825,157)	-	(7,825,157)	-	(7,825,157)	-	(7,825,157)
Customer Service Deposits	(408,391)	-	(408,391)	-	(408,391)	-	(408,391)
Misc Rate Base Deductions	(95,331,195)	-	(95,331,195)	(3,335,284)	(98,666,479)	-	(98,666,479)
Total Rate Base Deductions	(1,338,909,955)	-	(1,338,909,955)	(78,137,983)	(1,417,047,938)	-	(1,417,047,938)
Total Rate Base:	1,095,981,445	-	1,095,981,445	255,521,353	1,351,502,798	-	1,351,502,798
Return on Rate Base	5.95%	1.14%	7.09%	-0.58%	5.64%	1.45%	7.09%
Return on Equity	7.18%	2.32%	9.50%	-2.89%	6.61%	2.89%	9.50%
Estimated Price Change	16,621,098	-	12	26,063,309	26,063,309	-	-
TAX CALCULATION:							
Operating Revenue	48,437,259	15,817,804	64,255,063	(2,853,123)	61,401,939	24,803,674	86,205,613
Other Deductions	-	-	-	-	-	-	-
Interest (AFUDC)	(3,636,275)	-	(3,636,275)	-	(3,636,275)	-	(3,636,275)
Interest	26,522,751	-	26,522,751	6,194,983	32,717,734	-	32,717,734
Schedule "M" Additions	102,379,040	-	102,379,040	10,421,704	112,800,744	-	112,800,744
Schedule "M" Deductions	113,344,067	-	113,344,067	21,588,037	134,932,104	-	134,932,104
Income Before Tax	14,585,756	15,817,804	30,403,559	(20,214,439)	10,189,120	24,803,674	34,992,794
State Income Taxes	-	-	-	-	-	-	-
Taxable Income	14,585,756	15,817,804	30,403,559	(20,214,439)	10,189,120	24,803,674	34,992,794
Federal Income Taxes Before Credits	3,063,009	3,321,739	6,384,747	(4,245,032)	2,139,715	5,208,772	7,348,487
Energy & Other Tax Credits	(17,018,573)	-	(17,018,573)	-	(17,018,573)	-	(17,018,573)
Federal Income Taxes	(13,955,565)	3,321,739	(10,633,826)	(4,245,032)	(14,878,858)	5,208,772	(9,670,086)

	Tab 13 - Revenues & Expenses (Year 2)			Tab 14 - Cap Adds. / Depr.	
	13.1	13.2	13.3	14.1	14.2
Total Pro Forma Adjustments	Wheeling Revenues - Year 2	General Wage Increase (Pro Forma) - Year 2	Pryor Mountain REC Revenues - Year 2	Pro Forma Major Plant Additions - Year 2	Pro Forma Depreciation & Amortization Expense - Year 2
Operating Revenues:					
General Business Revenues	-				
Interdepartmental	-				
Special Sales	-				
Other Operating Revenues	2,100,781	2,301,415	(200,634)		
Total Operating Revenues	2,100,781	2,301,415	(200,634)	-	-
Operating Expenses:					
Steam Production	120,647	120,647			
Nuclear Production	-				
Hydro Production	42,899	42,899			
Other Power Supply	468,524	72,944			
Transmission	41,939	41,939			
Distribution	283,467	283,467			
Customer Accounting	64,891	64,891			
Customer Service & Info Sales	26,362	26,362			
Administrative & General	56,172	56,172			
Total O&M Expenses	1,104,901	709,321	-	-	-
Depreciation	7,746,703				2,553,799
Amortization	(5,780,427)				1,230,831
Taxes Other Than Income	1,882,727				
Income Taxes - Federal	(4,245,032)	483,297	(148,957)	(42,133)	(724,257)
Income Taxes - State	-	-	-	-	-
Income Taxes - Def Net	2,880,542			847,954	
Investment Tax Credit Adj.	-				
Misc Revenue & Expense	-				
Total Operating Expenses:	3,589,414	483,297	560,364	(42,133)	123,696
Operating Rev For Return:	(1,488,633)	1,818,118	(560,364)	(158,501)	(2,989,857)
Rate Base:					
Electric Plant In Service	334,148,579			112,074,898	
Plant Held for Future Use	-				
Misc Deferred Debits	(489,243)				
Elec Plant Acq Adj	-				
Nuclear Fuel	-				
Prepayments	-				
Fuel Stock	-				
Material & Supplies	-				
Working Capital	-				
Weatherization	-				
Misc Rate Base	-				
Total Electric Plant:	333,659,336	-	-	112,074,898	-
Rate Base Deductions:					
Accum Prov For Deprec	(51,251,439)				
Accum Prov For Amort	(4,541,117)				
Accum Def Income Tax	(19,010,143)			271,076	
Unamortized ITC	-				
Customer Adv For Const	-				
Customer Service Deposits	-				
Misc Rate Base Deductions	(3,335,284)				
Total Rate Base Deductions	(78,137,983)	-	-	271,076	-
Total Rate Base:	255,521,353	-	-	112,345,974	-
Estimated Price Change	26,063,309	(2,418,289)	745,343	210,823	10,753,305
TAX CALCULATION:					
Operating Revenue	(2,853,123)	2,301,415	(709,321)	(200,634)	-
Other Deductions	-				
Interest (AFUDC)	-				
Interest	6,194,983				
Schedule "M" Additions	10,421,704				254,858
Schedule "M" Deductions	21,588,037				3,703,701
Income Before Tax	(20,214,439)	2,301,415	(709,321)	(200,634)	(3,448,843)
State Income Taxes	-	-	-	-	-
Taxable Income	(20,214,439)	2,301,415	(709,321)	(200,634)	(3,448,843)
Federal Income Taxes Before Credits	(4,245,032)	483,297	(148,957)	(42,133)	(724,257)
Energy & Other Tax Credits	-	-	-	-	-
Federal Income Taxes	(4,245,032)	483,297	(148,957)	(42,133)	(724,257)

Tab 14 - Capital Additions / Depreciation & Amortization (Year 2)

	14.3	14.4	14.5	14.6	14.7	14.8
	Pro Forma Depreciation & Amortization Reserve - Year 2	Decommissioning and Other Plant Closure Costs - Year 2	Jim Bridger Mine Rate Base - Year 2	Existing Coal- Fired Generation Assets - Year 2	Pro Forma JB Units 3, 4 and Colstrip 4 Additions - Year 2	Pro Forma JB Units 1 & 2 Additions - Year 2
Operating Revenues:						
General Business Revenues						
Interdepartmental						
Special Sales						
Other Operating Revenues						
Total Operating Revenues	-	-	-	-	-	-
Operating Expenses:						
Steam Production						
Nuclear Production						
Hydro Production						
Other Power Supply						
Transmission						
Distribution						
Customer Accounting						
Customer Service & Info						
Sales						
Administrative & General						
Total O&M Expenses	-	-	-	-	-	-
Depreciation					1,353	6,743
Amortization						
Taxes Other Than Income						
Income Taxes - Federal	-	-	-	-	(291)	(16,696)
Income Taxes - State	-	-	-	-	-	-
Income Taxes - Def Net					9	17,889
Investment Tax Credit Adj.						
Misc Revenue & Expense						
Total Operating Expenses:	-	-	-	-	1,071	7,937
Operating Rev For Return:	-	-	-	-	(1,071)	(7,937)
Rate Base:						
Electric Plant In Service			1,155,586		95,034	783,156
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:	-	-	1,155,586	-	95,034	783,156
Rate Base Deductions:						
Accum Prov For Deprec	(42,885,258)		(2,039,194)	(2,952,541)	(15,796)	(20,864)
Accum Prov For Amort	(4,541,117)					
Accum Def Income Tax		1,458,889	-	725,932	(19,192)	(28,284)
Unamortized ITC						
Customer Adv For Const						
Customer Service Deposits						
Misc Rate Base Deductions		(5,933,675)				
Total Rate Base Deductions	(47,426,374)	(4,474,786)	(2,039,194)	(2,226,609)	(34,988)	(49,148)
Total Rate Base:	(47,426,374)	(4,474,786)	(883,608)	(2,226,609)	60,046	734,008
Estimated Price Change	(4,470,007)	(421,755)	(83,281)	(209,861)	7,083	79,738
TAX CALCULATION:						
Operating Revenue	-	-	-	-	(1,353)	(6,743)
Other Deductions						
Interest (AFUDC)						
Interest						
Schedule "M" Additions					1,353	8,357
Schedule "M" Deductions					1,388	81,116
Income Before Tax	-	-	-	-	(1,388)	(79,502)
State Income Taxes	-	-	-	-	-	-
Taxable Income	-	-	-	-	(1,388)	(79,502)
Federal Income Taxes Before Credits	-	-	-	-	(291)	(16,696)
Energy & Other Tax Credits						
Federal Income Taxes	-	-	-	-	(291)	(16,696)

	Tab 14 - Capital & Deprec.		Tab 15 - Taxes (Year 2)			
	14.9 Confidential Wind Generation Capital Additions - Year 2	14.10 Major Transmission Capital Additions - Year 2	15.1 Interest True- Up - Year 2	15.2 Property Taxes - Year 2	15.3 Removal of TCJA Balances Adjustment - Year 2	15.4 PowerTax ADIT Balance Adjustment - Year 2
Operating Revenues:						
General Business Revenues						
Interdepartmental						
Special Sales						
Other Operating Revenues						
Total Operating Revenues	-	-	-	-	-	-
Operating Expenses:						
Steam Production						
Nuclear Production						
Hydro Production						
Other Power Supply	395,580					
Transmission						
Distribution						
Customer Accounting						
Customer Service & Info						
Sales						
Administrative & General						
Total O&M Expenses	395,580	-	-	-	-	-
Depreciation	2,384,688	2,800,120				
Amortization						
Taxes Other Than Income				1,882,727		
Income Taxes - Federal	(583,856)	(588,025)	(1,300,946)	(395,373)	-	(1,431,907)
Income Taxes - State	-	-	-	-	-	-
Income Taxes - Def Net						2,329,246
Investment Tax Credit Adj.						
Misc Revenue & Expense						
Total Operating Expenses:	2,196,411	2,212,095	(1,300,946)	1,487,354	-	897,340
Operating Rev For Return:	(2,196,411)	(2,212,095)	1,300,946	(1,487,354)	-	(897,340)
Rate Base:						
Electric Plant In Service	56,661,694	163,378,210				
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:	56,661,694	163,378,210	-	-	-	-
Rate Base Deductions:						
Accum Prov For Deprec	(1,047,640)	(2,290,147)				
Accum Prov For Amort						
Accum Def Income Tax					(595,243)	(24,209,006)
Unamortized ITC						
Customer Adv For Const						
Customer Service Deposits					2,598,391	
Misc Rate Base Deductions						
Total Rate Base Deductions	(1,047,640)	(2,290,147)	-	-	2,003,148	(24,209,006)
Total Rate Base:	55,614,054	161,088,064	-	-	2,003,148	(24,209,006)
Estimated Price Change	8,163,167	18,125,111	(1,730,396)	1,978,338	188,800	(1,088,178)
TAX CALCULATION:						
Operating Revenue	(2,780,267)	(2,800,120)	-	(1,882,727)	-	-
Other Deductions						
Interest (AFUDC)			6,194,983			
Interest						
Schedule "M" Additions						10,157,136
Schedule "M" Deductions						16,975,739
Income Before Tax	(2,780,267)	(2,800,120)	(6,194,983)	(1,882,727)	-	(6,818,602)
State Income Taxes	-	-	-	-	-	-
Taxable Income	(2,780,267)	(2,800,120)	(6,194,983)	(1,882,727)	-	(6,818,602)
Federal Income Taxes Before Credits	(583,856)	(588,025)	(1,300,946)	(395,373)	-	(1,431,907)
Energy & Other Tax Credits						
Federal Income Taxes	(583,856)	(588,025)	(1,300,946)	(395,373)	-	(1,431,907)

	Tab 15 - Tax		Tab 16 - Other Adj. (Year 2)	
	15.5	15.6	16.1	16.2
		Remove Deferred State Tax Expense & Balance - Year 2	Regulatory Assets & Liabilities Amortization - Year 2	Klamath Hydroelectric Assets Amortization - Year 2
Permanent Schedule M Adjustment - Year 2				
Operating Revenues:				
General Business Revenues				
Interdepartmental				
Special Sales				
Other Operating Revenues				
Total Operating Revenues	-	-	-	-
Operating Expenses:				
Steam Production				
Nuclear Production				
Hydro Production				
Other Power Supply				
Transmission				
Distribution				
Customer Accounting				
Customer Service & Info				
Sales				
Administrative & General				
Total O&M Expenses	-	-	-	-
Depreciation				
Amortization			(7,011,258)	
Taxes Other Than Income				
Income Taxes - Federal	-	-	1,298,885	-
Income Taxes - State	-	-	-	-
Income Taxes - Def Net		(517,664)	203,108	
Investment Tax Credit Adj.				
Misc Revenue & Expense				
Total Operating Expenses:	-	(517,664)	(5,509,265)	-
Operating Rev For Return:	-	517,664	5,509,265	-
Rate Base:				
Electric Plant In Service				
Plant Held for Future Use				
Misc Deferred Debits			(413,046)	(76,197)
Elec Plant Acq Adj				
Nuclear Fuel				
Prepayments				
Fuel Stock				
Material & Supplies				
Working Capital				
Weatherization				
Misc Rate Base				
Total Electric Plant:	-	-	(413,046)	(76,197)
Rate Base Deductions:				
Accum Prov For Deprec				
Accum Prov For Amort				
Accum Def Income Tax		3,265,398	101,554	18,734
Unamortized ITC				
Customer Adv For Const				
Customer Service Deposits				
Misc Rate Base Deductions				
Total Rate Base Deductions	-	3,265,398	101,554	18,734
Total Rate Base:	-	3,265,398	(311,492)	(57,463)
Estimated Price Change	-	(380,779)	(7,357,263)	(5,416)
TAX CALCULATION:				
Operating Revenue	-	-	7,011,258	-
Other Deductions				
Interest (AFUDC)				
Interest				
Schedule "M" Additions	-			
Schedule "M" Deductions	-		826,093	
Income Before Tax	-	-	6,185,165	-
State Income Taxes	-	-	-	-
Taxable Income	-	-	6,185,165	-
Federal Income Taxes Before Credits	-	-	1,298,885	-
Energy & Other Tax Credits				
Federal Income Taxes	-	-	1,298,885	-

PacifiCorp
Washington 2023 General Rate Case
Cost of Capital
Net to Gross Bump-up Factor

Capital Structure and Cost - Ref Exhibit No. SLC-4, Page 2.1

	Capital Structure	Embedded Cost	Weighted Cost
S-T DEBT%	0.760%	3.900%	0.03%
L-T DEBT%	50.130%	4.770%	2.39%
PREFERRED %	0.010%	6.750%	0.00%
COMMON %	49.100%	9.500%	4.66%
			7.09%

Net to Gross Bump-up Factor - Ref Exhibit No. SLC-4, Page 1.3

Operating Revenue	100.000%
Operating Deductions	
Uncollectable Accounts	0.560%
WUTC Regulatory Fee	0.400%
WUTC Public Utility Tax	3.873%
Taxes Other - Resource Supplier	0.000%
Taxes Other - Gross Receipts	0.000%
Sub-Total	95.167%
State Taxes	0.000%
Sub-Total	95.167%
Federal Income Tax @ 21.00%	19.985%
Net Operating Income	75.182%