



August 27, 2004

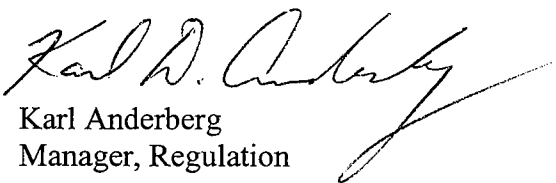
Dennis J. Moss
Administrative Law Judge
WUTC
1300 S. Evergreen Park Drive, SW
Olympia, WA 98504

Re: WA Docket No. UE-032065/General Rate Case
WUTC Bench Request 3

Please find enclosed PacifiCorp's response to WUTC Bench Request 3. Provided on the enclosed CD is Attachment WUTC BR 3.

If you have any questions, please call me at (503) 813-6032.

Sincerely,



Karl D. Anderberg
Manager, Regulation

Enclosure

cc: CUA - John O'Rourke
WUTC Staff
WUTC Counsel
ICNU
Public Counsel
Energy Project



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WUTC Bench Request 3

Please state with respect to each adjustment proposed by your witnesses whether the proposed adjustment is identical to an adjustment proposed by any other party, should be viewed as a complete or partial alternative to an adjustment proposed by any other party, or is an adjustment proposed only by ICNU. In the case of adjustments proposed only by ICNU, state the cost category(ies) under which such adjustment should be made on bases comparable to prefiled Exhibit Nos. TES-2 and TES-3.

Response to WUTC Bench Request 3

In its initial and supplemental responses to Bench Request No. 3, ICNU purported to restate its proposed adjustments on common bases comparable to prefiled Exhibit Nos. TES-2 and TES-3. In fact, those responses did not accurately restate ICNU's adjustments and resulting operating revenue in that format.

In TES-2 and TES-3, witness Tom Schooley starts with Unadjusted Results, then adds the impact of the Company's Ratemaking Adjustments. These Ratemaking Adjustments must be made in order to present the results on a normalized basis for ratemaking purposes. They include items such as nonrecurring expenses or revenues, weather normalization, annualizing of partial year expenses and revenues, known and measurable adjustments, etc. Then, starting with the Total Adjusted Results, TES-2 and TES-3 show Staff's recommended adjustments.

The ICNU responses to Bench Request No. 3 fail to include the impacts of these Ratemaking Adjustments on the Company's results of operation. Rather, the ICNU responses incorrectly show Unadjusted Results, and then show the impact of each of ICNU's recommended adjustments to arrive at the Adjusted Total for Revenues, Expenses, Net Operating Income, and Rate Base. The bottom line of the ICNU spreadsheet is also incorrectly titled "Adjusted Total (Normalized Results at present rates), since no Ratemaking Adjustments have been included in their calculations. Further, ICNU has not challenged or opposed in their testimony any of these Ratemaking Adjustments.

Tab (1) of Attachment WUTC BR 3 on the enclosed CD shows the corrections necessary to restate the ICNU case in a format comparable to TES-2 and TES-3. The results indicate that the Company is currently achieving a rate of return (ROR) of 7.239% and a return on equity (ROE) of 8.05%. Substituting an ROE of 11.25% as filed by the Company (and not challenged in the ICNU testimony), this implies a recommended increase in revenue requirement of approximately \$14.5 million, as shown in Tab (1).

UE-032065/PacifiCorp
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WUTC Bench Request 3

Adjustment for Jurisdictional Allocation Methodology

ICNU has proposed three adjustments that are related to jurisdictional allocations that effectively modified the Protocol as filed in the Company's direct case. By removing these three adjustments (Full Hydro Credit, Reserves and Load Following, and Gadsby/West Valley Treatment), ICNU's case can be restated on a common basis with the Company's direct case and the Settlement Agreement among PacifiCorp, WUTC Staff, and NRDC. Tab (2) of Attachment WUTC BR 3 on the enclosed CD shows the results of the removal of these three adjustments. When restated based on the Protocol, the ICNU case implies a recommended increase in revenue requirement of approximately \$17.6 million, as shown in Tab (2).

Responder: J. Ted Weston
Witness: J. Ted Weston

WASHINGTON

UE-032065

GENERAL RATE CASE

PACIFICORP

WUTC BENCH DATA REQUEST

ATTACHMENT WUTC BR 3

ON THE ENCLOSED CD