

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
DOCKET NO. UE-061546**

ICNU'S RESPONSE TO BENCH REQUEST NO. 1

Bench Request No. 1:

To the extent any of your proposed adjustments are the same as, or overlap with a Staff or Company adjustment, please state Staff's or the Company's number for the adjustment.

Response to Bench Request No. 1:

The following proposed adjustments overlap with Staff's adjustments in Net Operating Income ("NOI"):

ICNU Description	ICNU NOI	Staff Description	Staff NOI
Energy Value of Western Resources to the East	\$3,695,250	Eastern Market Modification (a portion of Adj. No. 5.4)	\$680,576
Regulating Margin Modeling	\$123,837	Eastern Control Area Reserve Requirements (a portion of Adj. No. 5.4)	\$156,623
Hydro Water Year Modeling ^{1/}	\$1,019,957	Water Year Adjustment ^{1/} (Adj. No. 5.6)	\$1,001,444
MEHC Transition Costs	\$2,480,229	MEHC Transition Savings (Adj. No. 8.13)	\$1,879,604

An adjustment that can be considered overlapping, but is not shown on the above table, is the adjustment to rate of return to reflect reduced risk if a PCAM is accepted. ICNU has adjusted the return on equity to arrive at a rate of return of 7.92% while the Staff has adjusted the cost of capital to arrive at a rate of return of 7.90%. Both of these adjustments are meant to address the same issue and can be considered overlapping.

^{1/} The two adjustments are identical. The minor difference between the two values is unexplained in the record, but may be due to the order of application of other adjustments (such as allocation factor changes).

Date: May 8, 2007
Respondent: Randall Falkenberg, Michael Gorman, Kathryn Iverson, Irion Sanger
Witness: Randall Falkenberg, Michael Gorman, Kathryn Iverson

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ICNU'S RESPONSE TO BENCH REQUEST NO. 2

Bench Request No. 2:

Please state the net operating income and rate base amount for each of your proposed adjustments.

Response to Bench Request No. 2:

The following table presents the requested information:

<u>Rate Base and Net Operating Income for ICNU Proposed Adjustments</u>		
	Rate Base	NOI
Energy Value of Western Resources to the East	\$0	\$3,695,250
Value of Western Reserves to the East	\$0	\$1,235,000
Wyoming Resources (Actual Flow)	\$0	\$2,497,588
Wyoming Resources (Including Wyoming Loads)	\$0	\$5,358,348
Historical Loss Factors	\$0	\$413,811
Short-term firm Transactions	\$0	\$5,158,814
SMUD Contract	\$0	\$1,800,709
Centralia Risk Sharing	\$0	\$1,160,206
GP Camus	\$0	\$20,119
Hydro Water Year Modeling	\$0	\$1,019,957
Phantom Outages	\$0	\$168,282
Regulating Margin Modeling	\$0	\$123,837
PCAM ROE Adjustment	\$0	\$765,156
Income Taxes	\$0	\$1,914,245
MEHC Transition Costs Deferral	\$0	\$2,480,229
Pension Expense	\$0	\$585,877
Incentive Compensation	\$0	\$1,268,777
Health Care	\$0	\$175,019
ScottishPower Management Fees	\$0	\$438,750
A&G Rate Cap ^{2/}	\$0	\$172,819

^{2/} An adjustment for the A&G Rate Cap is only necessary if the Commission accepts PacifiCorp's and Staff's proposed Pro Forma Wages (Adj. No. 9.3) which reflects an increase from the filed case.

Date: May 8, 2007
 Respondent: Randall Falkenberg, Michael Gorman, Kathryn Iverson, Irion Sanger
 Witness: Randall Falkenberg, Michael Gorman, Kathryn Iverson

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ICNU'S RESPONSE TO BENCH REQUEST NO. 3

Bench Request No. 3:

What rate of return and conversion factors does ICNU use to calculate revenue requirements depicted in the table on page 5 of ICNU's initial brief?

Response to Bench Request No. 3:

The Company's filed Net Operating Income Conversion Factor of 0.621673 and authorized 10.2% ROE were used for the Income Taxes adjustment. This conversion factor does not include the correction for the WUTC regulatory fee.

ICNU used a rate of return of 8.0591% and a Net Operating Income Conversion Factor of 0.620438 for MEHC Transition Costs Deferral, Pension Expense, Incentive Compensation and Health Care adjustments. This conversion factor is based on Staff's corrected conversion factor that includes the WUTC regulatory fee.

The remaining adjustments shown in the table on page 5 were computed as adjustments to Washington allocated expense levels, not Net Operating Income. Thus, there was no tax rate or revenue conversion factor applied.

Date: May 8, 2007
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Witness: Randall Falkenberg, Michael Gorman, Kathryn Iverson