

ATTACHMENT B

PACIFICORP
State of Washington
Normalized Results of Operations - MSP Protocol
12 Months Ended March 2003

	Stipulation Total Adjusted Results	Stipulation Price Change	REF ORDER 1 Trail Mtn. Adj Removal	REF ORDER 2 Env. Reg Asset Removal	Interest Synch Effect	Commission Order Total Adjusted Results	Commission Order Price Change
1 Operating Revenues:							
2 General Business Revenues	199,174,378	15,501,000	-	-		199,174,378	15,775,412
3 Interdepartmental	-		-	-		-	
4 Special Sales	97,115,142		-	-		97,115,142	
5 Other Operating Revenues	8,275,821		-	-		8,275,821	
6 Total Operating Revenues	304,565,340		-	-		304,565,340	
7							
8 Operating Expenses:							
9 Steam Production	50,915,904		(675,503)	-		50,240,401	
10 Nuclear Production	-		-	-		-	
11 Hydro Production	5,416,187		-	-		5,416,187	
12 Other Power Supply	103,920,231		-	-		103,920,231	
13 Transmission	7,719,508		-	-		7,719,508	
14 Distribution	6,947,292		-	-		6,947,292	
15 Customer Accounting	6,597,079		-	-		6,597,079	
16 Customer Service & Info	214,200		-	-		214,200	
17 Sales	50,208		-	-		50,208	
18 Administrative & General	22,746,675		-	(289,368)		22,457,307	
19 Total O&M Expenses	204,527,284		(675,503)	(289,368)		203,562,413	
20 Depreciation	29,220,959		-	-		29,220,959	
21 Amortization	4,442,180		-	-		4,442,180	
22 Taxes Other Than Income	8,963,959		-	-		8,963,959	
23 Income Taxes - Federal	8,476,829		1,167,433	9,958	33,104	9,687,325	
24 Income Taxes - State	1,809,807		158,635	1,353	4,498	1,974,293	
25 Income Taxes - Def Net	7,973,256		-	-		7,973,256	
26 Investment Tax Credit Adj.	-		-	-		-	
27 Misc Revenue & Expense	(600,123)		-	-		(600,123)	
28 Total Operating Expenses:	264,814,151		650,565	(278,057)	37,602	265,224,261	
29							
30 Operating Rev For Return:	39,751,190		(650,565)	278,057	(37,602)	39,341,079	
31							
32 Rate Base:							
33 Electric Plant In Service	1,044,951,608		-	-		1,044,951,608	
34 Plant Held for Future Use	99,617		-	-		99,617	
35 Misc Deferred Debits	14,900,636		(2,156,412)	(799,683)		11,944,541	
36 Elec Plant Acq Adj	8,826,303		-	-		8,826,303	
37 Nuclear Fuel	-		-	-		-	
38 Prepayments	1,334,684		-	-		1,334,684	
39 Fuel Stock	4,068,642		-	-		4,068,642	
40 Material & Supplies	6,613,137		-	-		6,613,137	
41 Working Capital	(0)		-	-		(0)	
42 Weatherization Loans	2,643,691		-	-		2,643,691	
43 Misc Rate Base	30,149		-	-		30,149	
44 Total Electric Plant:	1,083,468,469		(2,156,412)	(799,683)		1,080,512,374	
45							
46 Rate Base Deductions:							
47 Accum Prov For Deprec	(403,255,991)		-	-		(403,255,991)	
48 Accum Prov For Amort	(20,423,834)		-	-		(20,423,834)	
49 Accum Def Income Tax	(59,679,608)		-	-		(59,679,608)	
50 Unamortized ITC	(2,634,576)		-	-		(2,634,576)	
51 Customer Adv For Const	(38,641)		-	-		(38,641)	
52 Customer Service Deposits	(1,029,605)		-	-		(1,029,605)	
53 Misc Rate Base Deductions	(13,464,843)		-	-		(13,464,843)	
54							
55 Total Rate Base Deductions	(500,527,099)		-	-		(500,527,099)	
56							
57 Total Rate Base:	582,941,370		(2,156,412)	(799,683)		579,985,275	
58							
59 Return on Rate Base	6.819%					6.783%	
60 Return on Equity	7.164%		-0.185%	0.119%		7.087%	
61							
62 TAX CALCULATION:							
63 Operating Revenue	58,011,082		675,503	289,368		58,975,953	
64 Other Deductions							
65 Interest (AFUDC)							
66 Interest	20,383,468		-	-	(99,081)	20,284,387	
67 Schedule "M" Additons	30,082,139		(1,472)	-		30,080,667	
68 Schedule "M" Deductions	43,649,104		(2,820,126)	259,562		41,088,540	
69 Income Before Tax	24,060,650		3,494,157	29,806		27,683,693	
70							
71 State Income Taxes	1,809,807		158,635	1,353		1,974,293	
72 Taxable Income	22,250,843		3,335,522	28,453		25,709,401	
73							
74 Federal Income Taxes + Other	8,476,829		1,167,433	9,958		9,687,325	

PacifiCorp
Washington Commission Order No. 06 Reconciliation

Revenue Requirement Adjustments						
		WUTC Order No. 06 (Note 7)	Company Reconciliation	Reference		
1	Settlement Position	15,501	15,501	Panel-4 p. 1		
2						
3	Adjustments					
4	Trail Mountain			See Order 1 lead sheet (attached)		
5	Expense	(641)	(675)	Panel-4 p. 7		
6	Rate Base	31	(256)	Note 1		
7	Tax		1,811	Note 3		
8						
9						
10	Environmental Costs			See Order 2 lead sheet (attached)		
11	Expense	30	(289)	"		
12	Rate Base	156	(95)	Note 4		
13	Tax		(167)	Note 5		
14						
15	Other Tax		(117)	Note 8		
16	Interest Synchronization/Other	(19)	64	Note 6		
17	Total	<u>15,057</u>	<u>15,775</u>			
18						
19	Interest Gross-up Factor	1.693				
20		0.693				
21	Note 1 Rate Base	(2,156)		Panel-4 p. 7		
22	Pre Tax ROR	<u>11.88%</u>		Note 2		
23		<u>(256)</u>				
24						
25	Note 2 WACC	Capital Structure	Cost	After tax WACC	Regulatory Pre Tax	Total Pre Tax
26	Debt	51.51%	6.507%	3.352%	3.352%	5.674%
27	Preferred	1.41%	6.715%	0.095%	0.160%	0.160%
28	Common	<u>47.08%</u>	10.500%	4.943%	8.369%	8.369%
29		<u>100.00%</u>		<u>8.390%</u>	<u>11.881%</u>	<u>14.203%</u>
30						

31	Note 3			See Order 1 lead sheet
32	SchMDT reversal (rev inc)	2,820		
33	SIT	4.54%		
34	State Tax	<u>128</u>	128	
35	FIT Taxable Income	2,692		
36	FIT tax rate	35%		
37	Federal Tax	<u>942</u>	942	
38	Tax on Tax		<u>741</u>	
39			1,811	
40				
41				
42	Note 4 Rate Base	(800)		See Order 2 Lead Sheet
43	Pre Tax ROR	11.88%		Note 2
44		<u>(95)</u>		
45				
46	Note 5			
47	Schedule M impact - Environmental			
48	SchMDT reversal (rev decr)	(260)		
49	SIT	4.54%		
50	State Tax	<u>(12)</u>	(12)	
51	FIT Taxable Income	(248)		
52	FIT tax rate	35%		
53	Federal Tax	<u>(87)</u>	(87)	See Order 2 lead sheet
54	Tax on Tax		<u>(68)</u>	
55			(167)	
56				
57	Note 6 True up of tax expense as a result of a decrease in rate base and therefore a			
58	decrease in interest expense which results in more taxable income and higher tax			
59	expense. Includes tax on tax effect.			
60	FIT impact	33		
61	SIT Tax Effect	4		
62	Tax on Tax effect	<u>69.3%</u>		
63		<u>26</u>		
64	Total tax effect	<u>64</u>		
65				
66	Note 7 - This represents the Company's attempt to reconcile the Commissions Order based on			
67	Exhibit Panel-4 p. 7 and 9.			
68				
69	Note 8 Consideration for the impact of other revenue related taxes (Washington Revenue Tax, impact of			
70	Bad Debts, etc.). Certain items capture the impact in the gross up factor already			
71	Expense divided by 1-4.8%			
72	Decrease in amortization on Trail Mtn costs		(34)	
73	Decrease in amortization on Environmental		(15)	
74	Other tax impacts and interest synchronization reversal due to ROR gross-up used			
75	Trail Mountain		(50)	
76	Environmental		<u>(19)</u>	
77			<u>(117)</u>	

1	Revenue Requirement Proof	Calculations of Components		Rev Req.
2	Initial Increase			15,501
3				
4	Expense - Trail Mt	(675)		(675)
5	Other Tax impact [1 / (1-.048) - 1]	5.04%	(34.03)	(34)
6				
7	Return - after tax - Trail Mtn			
8	Rate Base	(2,156)		
9	After Tax Return	8.39%	(181)	
10				
11	Rate Base	(2,156)		
12	Pre tax return	14.20%		
13	Taxable Return	(306)		
14	Other Taxes Impact	(15)	(15)	
15	State Taxable Income	(292)		
16	State Tax Rate	4.5%		
17	State Tax	(13)	(13)	
18	Federal Taxable Income	(278)		
19	Federal Tax Rate	35%		
20	Federal Tax	(97)	(97)	(306)
21	Note: effective tax rate = (-15-15-97) / -306= .41			
22	Gross up factor = 1/(1-.41) = 1.693			
23				
24	Expense - Environmental costs	(289)		(289)
25	Other Tax impact [1 / (1-.048) - 1]	5.04%	(15)	(15)
26				
27	Return - after tax - Environmental Costs			
28	Rate Base	(800)		
29	Pre tax return	8.39%	(67)	
30				
31	Rate Base	(800)		
32	Pre tax return	14.20%		
33	Taxable Return	(114)		
34	Other Taxes Impact	(5)	(5)	
35	State Taxable Income	(108)		
36	State Tax Rate	4.5%		
37	State Tax	(5)	(5)	
38	Federal Taxable Income	(103)		
39	Federal Tax Rate	35%		
40	Federal Tax	(36)	(36)	(114)
41	Note: effective tax rate = (-2-2-13) / -40= .41			
42	Gross up factor = 1/(1-.41) = 1.693			
43				

44	Schedule M Impacts - Trail Mtn				
45	SchMDT reversal (rev inc)	2,820			
46	SIT	4.54%			
47	State Tax	128	128		
48	FIT Taxable Income	2,692			
49	FIT tax rate	35%			
50	Federal Tax	942	942		
51	Tax Before Other Taxes		1,070		
52	Tax gross-up before other taxes (1.61)		1,723	1,723	
53	Other Tax impact [1 / (1-.048) - 1]		5.04%	87	
54					
55	Schedule M impact - Environmental				
56	SchMDT reversal (rev decr)	(260)			
57	SIT	4.54%			
58	State Tax	(12)	(12)		
59	FIT Taxable Income	(248)			
60	FIT tax rate	35%			
61	Federal Tax	(87)	(87)		
62	Tax Before Other Taxes		(99)		
63	Tax gross-up before other taxes (1.61)		(159)	(159)	
64	Other Tax impact [1 / (1-.048) - 1]		5.04%	(8)	
65					
66					
67	Interest Synchronization				
68	Rate Base	(2,956)			
69	Debt	3.35%			
70	Decreased Interest	(99)			
71	State Tax Rate	4.5%			
72	State Tax	4	4		
73	Federal Taxable Income	95			
74	Federal Tax Rate	35%			
75	Federal Tax	33	33		
76	Tax Before Other Taxes		38		
77	Tax gross-up before other taxes (1.61)		61	61	
78	Other Tax impact [1 / (1-.048) - 1]		5.04%	3	
79					
80					
81				15,775	
82					
83					

T- Accounts for Trail Mountain Regulatory Assets

501		182.3/186.8		SCHMDT	
	33,127	46,417		33,127	17
7,935			7,935		33,127
25,192			4,305	17	11
7,935	7,935		25,331		10
-		8,846		-	
411		456		409 (current tax)	
12,569	6	385		(12,569)	
	12,569				(12,569)
(6)		385		-	
190		190.2 (Below-the-line)			
10,228	10,228	2,344	2,344		
-		-			

Actual Entries

- 1 Reversal of write-off and establishment of deferred costs
- 2 Normal amortization over 5 years
- 3 Sched M deduction booked at time of item/decreases current income tax in 409. The offset is the establishment of a positive deferred tax expense in acct 411 and corresponding balance in account 190 (amount shown is YE balance)
- 4 Net power costs remove 501 actual balance and include a normal level. Trail mountain excluded form net power cost calculation.
- 5 Adjustment 5.3 includes the amortization of Trail Mountain regulatory assets.
- 6 Removal of joint owner impacts.
- 7 Adjust non-property related DIT to flow through treatment, adjustment 7.2

Removal of Trail Mountain from the Case

- 9 Credit 501 Fuel to remove amortization
- 10 Remove remaining (Company-only) portion of deferred assets in 182 and 186
- 11 Remove impact of schedule M.