

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

| | | |
|----------------------------------|---|----------------------|
| WASHINGTON UTILITIES AND |) | |
| TRANSPORTATION COMMISSION, |) | |
| |) | |
| Complainant, |) | |
| |) | Docket No. UE-100749 |
| v. |) | |
| |) | |
| PACIFICORP d/b/a PACIFIC POWER & |) | |
| LIGHT COMPANY, |) | |
| |) | |
| Respondent. |) | |

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

EXHIBIT OF RANDALL J. FALKENBERG

COMBINED EFFECT OF MR. FALKENBERG'S PROPOSED ADJUSTMENTS

December 6, 2010

| | (1) (From RAM - Results Tab) | (2) | (3) (1) + (2) | (4) | (5) (3) + (4) | (6) | (7) (5) + (6) |
|-------------------------------------|---------------------------------|-----------------------|-------------------------------|----------------------|--------------------------|-------------------|---------------------------|
| | Unadjusted Results | Restating Adjustments | Total Restated Actual Results | Proforma Adjustments | Total Normalized Results | Price Change | Results with Price Change |
| Operating Revenues: | | | | | | | |
| General Business Revenues | 266,100,835 | (6,737,566) | 259,363,269 | 12,402,155 | 271,765,425 | 42,259,726 | 314,025,151 |
| Interdepartmental | - | - | - | - | - | - | - |
| Special Sales | 78,723,890 | 3,803,644 | 82,527,534 | (42,468,353) | 40,059,181 | - | 40,059,181 |
| Other Operating Revenues | 12,554,857 | (4,108,989) | 8,445,868 | 3,037,134 | 11,483,002 | - | 11,483,002 |
| Total Operating Revenues | 357,379,582 | (7,042,910) | 350,336,672 | (27,029,064) | 323,307,608 | 42,259,726 | 365,567,334 |
| Operating Expenses: | | | | | | | |
| Steam Production | 48,371,133 | (1,302,039) | 47,069,093 | 2,952,777 | 50,021,870 | - | 50,021,870 |
| Nuclear Production | - | - | - | - | - | - | - |
| Hydro Production | 6,349,038 | 1,965 | 6,351,002 | 14,128 | 6,365,130 | - | 6,365,130 |
| Other Power Supply | 125,305,885 | 2,206,562 | 127,512,447 | (18,829,402) | 108,683,044 | - | 108,683,044 |
| Transmission | 25,362,553 | (119,206) | 25,243,347 | 1,849,684 | 27,093,032 | - | 27,093,032 |
| Distribution | 13,621,607 | 6,969 | 13,628,576 | 91,505 | 13,720,082 | - | 13,720,082 |
| Customer Accounting | 8,025,975 | 4,466 | 8,030,441 | 57,733 | 8,088,175 | 237,077 | 8,325,252 |
| Customer Service & Info Sales | 5,423,426 | (4,858,857) | 564,569 | 2,679 | 567,249 | - | 567,249 |
| Administrative & General | 12,167,263 | (60,435) | 12,106,827 | (1,329,009) | 10,777,819 | - | 10,777,819 |
| Total O&M Expenses | 244,626,880 | (4,120,576) | 240,506,304 | (15,189,903) | 225,316,401 | 237,077 | 225,553,478 |
| Depreciation | 36,705,844 | (415,223) | 36,290,622 | (29,238) | 36,261,383 | - | 36,261,383 |
| Amortization | 4,017,010 | (169,569) | 3,847,441 | (182,289) | 3,665,152 | - | 3,665,152 |
| Taxes Other Than Income | 17,744,812 | (42,124) | 17,702,688 | (428,617) | 17,274,071 | 1,721,239 | 18,995,310 |
| Income Taxes - Federal | (13,966,180) | 131,482 | (13,834,698) | (9,251,789) | (23,086,486) | 14,105,494 | (8,980,993) |
| Income Taxes - State | - | - | - | - | - | - | - |
| Income Taxes - Def Net | 22,359,798 | 4,140,911 | 26,500,709 | (417,014) | 26,083,696 | - | 26,083,696 |
| Investment Tax Credit Adj. | - | - | - | - | - | - | - |
| Misc Revenue & Expense | (341,244) | (203,946) | (545,190) | 949 | (544,241) | - | (544,241) |
| Total Operating Expenses: | 311,146,920 | (679,044) | 310,467,876 | (25,497,900) | 284,969,976 | 16,063,809 | 301,033,785 |
| Operating Rev For Return: | 46,232,662 | (6,363,866) | 39,868,795 | (1,531,163) | 38,337,632 | 26,195,917 | 64,533,549 |
| Rate Base: | | | | | | | |
| Electric Plant In Service | 1,398,743,841 | 27,046,917 | 1,425,790,758 | (1,161,847) | 1,424,628,910 | - | 1,424,628,910 |
| Plant Held for Future Use | 37,310 | - | 37,310 | - | 37,310 | - | 37,310 |
| Misc Deferred Debits | 6,671,729 | (2,197,306) | 4,474,423 | 15,188,002 | 19,662,425 | - | 19,662,425 |
| Elec Plant Acq Adj | - | - | - | - | - | - | - |
| Nuclear Fuel | - | - | - | - | - | - | - |
| Prepayments | 2,850,428 | (2,850,428) | (0) | - | (0) | - | (0) |
| Fuel Stock | 3,524,551 | 2,033,952 | 5,558,503 | (3,595) | 5,554,908 | - | 5,554,908 |
| Material & Supplies | 7,763,143 | 2,018,178 | 9,781,321 | (3,545) | 9,777,775 | - | 9,777,775 |
| Working Capital | 2,159,291 | 8,669,513 | 10,828,804 | (692,190) | 10,136,615 | - | 10,136,615 |
| Weatherization | 2,046,741 | - | 2,046,741 | - | 2,046,741 | - | 2,046,741 |
| Misc Rate Base | 268,577 | (268,577) | (0) | - | (0) | - | (0) |
| Total Electric Plant: | 1,424,065,610 | 34,452,250 | 1,458,517,860 | 13,326,824 | 1,471,844,684 | - | 1,471,844,684 |
| Rate Base Deductions: | | | | | | | |
| Accum Prov For Deprec | (503,192,584) | (7,446,965) | (510,639,549) | 123,289 | (510,516,260) | - | (510,516,260) |
| Accum Prov For Amort | (34,606,345) | - | (34,606,345) | - | (34,606,345) | - | (34,606,345) |
| Accum Def Income Tax | (128,569,574) | (6,475,410) | (135,044,985) | (5,544,378) | (140,589,362) | - | (140,589,362) |
| Unamortized ITC | (1,096,753) | 144,386 | (952,367) | - | (952,367) | - | (952,367) |
| Customer Adv For Const | (334,500) | 23,143 | (311,357) | - | (311,357) | - | (311,357) |
| Customer Service Deposits | - | (2,980,496) | (2,980,496) | - | (2,980,496) | - | (2,980,496) |
| Misc Rate Base Deductions | (4,865,967) | (3,245,919) | (8,111,886) | 7,457 | (8,104,430) | - | (8,104,430) |
| Total Rate Base Deductions | (672,665,724) | (19,981,263) | (692,646,986) | (5,413,631) | (698,060,618) | - | (698,060,618) |
| Total Rate Base: | 751,399,887 | 14,470,987 | 765,870,874 | 7,913,193 | 773,784,067 | - | 773,784,067 |
| Return on Rate Base | 6.15% | -0.95% | 5.21% | -0.25% | 4.95% | 3.39% | 8.34% |
| Return on Equity | 6.40% | -1.82% | 4.58% | -0.48% | 4.10% | 6.50% | 10.60% |
| Estimated Price Change | 26,511,726 | 12,213,246 | 38,724,972 | 3,534,754 | 42,259,726 | - | - |
| TAX CALCULATION: | | | | | | | |
| Operating Revenue | 54,626,280 | (2,091,473) | 52,534,807 | (11,199,966) | 41,334,841 | 40,301,411 | 81,636,252 |
| Other Deductions | - | - | - | - | - | - | - |
| Interest (AFUDC) | (4,599,793) | 217,013 | (4,382,780) | - | (4,382,780) | - | (4,382,780) |
| Interest | 25,236,151 | (3,763,889) | 21,472,262 | 221,857 | 21,694,120 | - | 21,694,120 |
| Schedule "M" Additions | 64,493,174 | (2,567,817) | 61,925,357 | 2,050,307 | 63,975,664 | - | 63,975,664 |
| Schedule "M" Deductions | 138,386,468 | (1,488,078) | 136,898,390 | 951,490 | 137,849,880 | - | 137,849,880 |
| Income Before Tax | (39,903,372) | 375,664 | (39,527,708) | (10,323,006) | (49,850,715) | 40,301,411 | (9,549,304) |
| State Income Taxes | - | - | - | - | - | - | - |
| Taxable Income | (39,903,372) | 375,664 | (39,527,708) | (10,323,006) | (49,850,715) | 40,301,411 | (9,549,304) |
| Federal Income Taxes Before Credits | (13,966,180) | 131,482 | (13,834,698) | (3,613,052) | (17,447,750) | 14,105,494 | (3,342,256) |
| Energy Tax Credits | - | - | - | (5,638,736) | (5,638,736) | - | (5,638,736) |
| Federal Income Taxes | (13,966,180) | 131,482 | (13,834,698) | (9,251,789) | (23,086,486) | 14,105,494 | (8,980,993) |

| | Tab 3 - Revenue | | | Tab 4 - Operations and Maintenance | | | Combined Cycle O&M Adjustment |
|--|---------------------------|------------------------------------|-----------------------------------|--------------------------------------|------------------------|-----------------------------|-------------------------------------|
| | 3.3 | 3.5.1 | 3.6 | 4.3 | 4.4 | 4.8 | |
| Total Pro Forma Adjustments | Effective Price Change | Normalized Green Tag Revenue | Wheeling Revenue Adjustment | Proforma General Wage Increase | Pension Curtailment | Remove MEHC Severance | |
| Operating Revenues: | | | | | | | |
| General Business Revenues | 12,402,155 | 12,402,155 | | | | | |
| Interdepartmental | - | | | | | | |
| Special Sales | (42,468,353) | | | | | | |
| Other Operating Revenues | 3,037,134 | 4,870,266 | (17,063) | | | | |
| Total Operating Revenues | (27,029,064) | 12,402,155 | 4,870,266 | (17,063) | - | - | - |
| Operating Expenses: | | | | | | | |
| Steam Production | 2,952,777 | | | 59,055 | | | (561,124) |
| Nuclear Production | - | | | | | | |
| Hydro Production | 14,128 | | | 25,399 | | | |
| Other Power Supply | (18,829,402) | | | 30,949 | | | |
| Transmission | 1,849,684 | | | 21,962 | | | |
| Distribution | 91,505 | | | 91,505 | | | |
| Customer Accounting | 57,733 | | | 57,733 | | | |
| Customer Service & Info | 2,679 | | | 2,679 | | | |
| Sales | - | | | | | | |
| Administrative & General | (1,329,009) | | | 84,611 | (776,573) | (637,047) | |
| Total O&M Expenses | (15,189,903) | - | - | 373,895 | (776,573) | (637,047) | (561,124) |
| Depreciation | (29,238) | | | | | | |
| Amortization | (182,289) | | | | | | |
| Taxes Other Than Income | (428,617) | | | | | | |
| Income Taxes - Federal | (9,251,789) | 4,340,754 | 1,704,593 | (5,972) | (130,863) | (82,999) | 21,778 |
| Income Taxes - State | - | - | - | - | - | - | - |
| Income Taxes - Def Net | (417,014) | - | - | - | 384,714 | 218,152 | - |
| Investment Tax Credit Adj. | - | - | - | - | - | - | - |
| Misc Revenue & Expense | 949 | | | | | | |
| Total Operating Expenses: | (25,497,900) | 4,340,754 | 1,704,593 | (5,972) | 243,032 | (474,858) | (397,117) |
| Operating Rev For Return: | (1,531,163) | 8,061,401 | 3,165,673 | (11,091) | (243,032) | 474,858 | 397,117 |
| Rate Base: | | | | | | | |
| Electric Plant In Service | (1,161,847) | | | | | | |
| Plant Held for Future Use | - | | | | | | |
| Misc Deferred Debits | 15,188,002 | | | | | (637,047) | |
| Elec Plant Acq Adj | - | | | | | | |
| Nuclear Fuel | - | | | | | | |
| Prepayments | - | | | | | | |
| Fuel Stock | (3,595) | | | | | | |
| Material & Supplies | (3,545) | | | | | | |
| Working Capital | (692,190) | | | | | | |
| Weatherization | - | | | | | | |
| Misc Rate Base | - | | | | | | |
| Total Electric Plant: | 13,326,824 | - | - | - | - | (637,047) | - |
| Rate Base Deductions: | | | | | | | |
| Accum Prov For Deprec | 123,289 | | | | | | |
| Accum Prov For Amort | - | | | | | | |
| Accum Def Income Tax | (5,544,378) | | | | | 330,671 | |
| Unamortized ITC | - | | | | | | |
| Customer Adv For Const | - | | | | | | |
| Customer Service Deposits | - | | | | | | |
| Misc Rate Base Deductions | 7,457 | | | | | | |
| Total Rate Base Deductions | (5,413,631) | - | - | - | - | 330,671 | - |
| Total Rate Base: | 7,913,193 | - | - | - | - | (306,376) | - |
| Estimated Return on Equity Impact | -0.48% | 2.02% | 0.79% | 0.00% | -0.06% | 0.12% | 0.10% |
| Estimated Price Change | 3,534,754 | (13,004,776) | (5,106,913) | 17,892 | 392,062 | (766,048) | (681,856) |
| TAX CALCULATION: | | | | | | | |
| Operating Revenue | (11,199,966) | 12,402,155 | 4,870,266 | (17,063) | (373,895) | 776,573 | 637,047 |
| Other Deductions | - | | | | | | |
| Interest (AFUDC) | - | | | | | | |
| Interest | 221,857 | | | | | | |
| Schedule "M" Additions | 2,050,307 | | | | | | (637,047) |
| Schedule "M" Deductions | 951,490 | | | | | 1,013,713 | (62,223) |
| Income Before Tax | (10,323,006) | 12,402,155 | 4,870,266 | (17,063) | (373,895) | (237,141) | 62,224 |
| State Income Taxes | - | - | - | - | - | - | - |
| Taxable Income | (10,323,006) | 12,402,155 | 4,870,266 | (17,063) | (373,895) | (237,141) | 62,224 |
| Federal Income Taxes Before Credits | (3,613,052) | 4,340,754 | 1,704,593 | (5,972) | (130,863) | (82,999) | 21,778 |
| Energy Tax Credits | (5,638,736) | - | - | - | - | - | - |
| Federal Income Taxes | (9,251,789) | 4,340,754 | 1,704,593 | (5,972) | (130,863) | (82,999) | 21,778 |

| | Tab 5 - Net Power Costs | | | Tab 6 | Tab 7 - Taxes | | | |
|--|----------------------------|--|----------------------------|-----------------------|------------------|-----------------------------|-------------------------------|--------------------------|
| | 5.2 | 5.2.1-21 | 5.5 | 6.1 | 7.1 | 7.3 | 7.7 | 7.12 |
| | Net Power Costs - Proforma | ICNU Net Power Cost Adjustments - Combined | James River Royalty Offset | Hydro Decommissioning | Interest True Up | Renewable Energy Tax Credit | Public Utility Tax Adjustment | WA Low Income Tax Credit |
| Operating Revenues: | | | | | | | | |
| General Business Revenues | | - | | | | | | |
| Interdepartmental | | - | | | | | | |
| Special Sales | (43,487,527) | 1,088,183 | | | | | | |
| Other Operating Revenues | | - | 1,178,569 | | | | | |
| Total Operating Revenues | (43,487,527) | 1,088,183 | 1,178,569 | - | - | - | - | - |
| Operating Expenses: | | | | | | | | |
| Steam Production | 4,196,529 | (650,958) | | | | | | |
| Nuclear Production | | - | | | | | | |
| Hydro Production | | - | | | | | | |
| Other Power Supply | (13,589,900) | (5,069,020) | | | | | | |
| Transmission | 3,336,530 | (1,466,810) | | | | | | |
| Distribution | | - | | | | | | |
| Customer Accounting | | - | | | | | | |
| Customer Service & Info | | - | | | | | | |
| Sales | | - | | | | | | |
| Administrative & General | | - | | | | | | |
| Total O&M Expenses | (6,056,841) | (7,186,788) | - | - | - | - | - | - |
| Depreciation | | | | | | | | |
| Amortization | | | | | | | | |
| Taxes Other Than Income | | | | | | | (396,368) | (32,249) |
| Income Taxes - Federal | (13,100,740) | 2,896,240 | 412,499 | - | (77,650) | (5,638,736) | 138,729 | 11,287 |
| Income Taxes - State | - | - | - | - | - | - | - | - |
| Income Taxes - Def Net | | | | | | | | |
| Investment Tax Credit Adj. | | | | | | | | |
| Misc Revenue & Expense | | | | | | | | |
| Total Operating Expenses: | (19,157,581) | (4,290,548) | 412,499 | - | (77,650) | (5,638,736) | (257,639) | (20,962) |
| Operating Rev For Return: | (24,329,945) | 5,378,731 | 766,070 | - | 77,650 | 5,638,736 | 257,639 | 20,962 |
| Rate Base: | | | | | | | | |
| Electric Plant In Service | | | | | | | | |
| 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: | - | - | - | - | - | - | - | - |
| Rate Base Deductions: | | | | | | | | |
| Accum Prov For Deprec | | | | (256,078) | | | | |
| Accum Prov For Amort | | | | | | | | |
| Accum Def Income Tax | | | | | | | | |
| Unamortized ITC | | | | | | | | |
| Customer Adv For Const | | | | | | | | |
| Customer Service Deposits | | | | | | | | |
| Misc Rate Base Deductions | | | | | | | | |
| Total Rate Base Deductions | - | - | - | (256,078) | - | - | - | - |
| Total Rate Base: | - | - | - | (256,078) | - | - | - | - |
| Estimated Return on Equity Impact | -6.10% | 1.35% | 0.19% | 0.00% | 0.02% | 1.41% | 0.06% | 0.01% |
| Estimated Price Change | 39,249,444 | (8,677,052) | (1,235,836) | (34,453) | (125,266) | (9,096,497) | (415,628) | (33,815) |
| TAX CALCULATION: | | | | | | | | |
| Operating Revenue | (37,430,685) | 8,274,971 | 1,178,569 | - | - | - | 396,368 | 32,249 |
| Other Deductions | | | | | | | | |
| Interest (AFUDC) | | | | | | | | |
| Interest | | | | | 221,857 | | | |
| Schedule "M" Additions | | | | | | | | |
| Schedule "M" Deductions | | | | | | | | |
| Income Before Tax | (37,430,685) | 8,274,971 | 1,178,569 | - | (221,857) | - | 396,368 | 32,249 |
| State Income Taxes | - | - | - | - | - | - | - | - |
| Taxable Income | (37,430,685) | 8,274,971 | 1,178,569 | - | (221,857) | - | 396,368 | 32,249 |
| Federal Income Taxes Before Credits | (13,100,740) | 2,896,240 | 412,499 | - | (77,650) | - | 138,729 | 11,287 |
| Energy Tax Credits | | | | | | (5,638,736) | | |
| Federal Income Taxes | (13,100,740) | 2,896,240 | 412,499 | - | (77,650) | (5,638,736) | 138,729 | 11,287 |

| | Tab 8 - Rate Base | | | Tab 9 - Prod. Factor | |
|--|-------------------------|-------------------------------|----------------------------|------------------------------------|--|
| | 8.1 | 8.7 | 8.10 | 9.1 | 9.1.1 |
| | Cash Working Capital | Powerdale Hydro Removal | Chehalis Reg Asset - WA | Production Factor Adjustment | (Cont) Production Factor Adjustment |
| Operating Revenues: | | | | | |
| General Business Revenues | | | | | |
| Interdepartmental | | | | | |
| Special Sales | | | | | (69,009) |
| Other Operating Revenues | | | (3,000,000) | | 5,361 |
| Total Operating Revenues | - | - | (3,000,000) | - | (63,648) |
| Operating Expenses: | | | | | |
| Steam Production | | | | (22,243) | (68,481) |
| Nuclear Production | | | | | |
| Hydro Production | | | | (11,271) | |
| Other Power Supply | | | | (15,102) | (186,329) |
| Transmission | | | | | (41,998) |
| Distribution | | | | | |
| Customer Accounting | | | | | |
| Customer Service & Info | | | | | |
| Sales | | | | | |
| Administrative & General | | | | | |
| Total O&M Expenses | - | - | - | (48,616) | (296,809) |
| Depreciation | | | | (29,238) | |
| Amortization | | (182,289) | | | |
| Taxes Other Than Income | | | | | |
| Income Taxes - Federal | | (45,625) | | 27,249 | 81,274 |
| Income Taxes - State | - | - | - | - | - |
| Income Taxes - Def Net | | 118,650 | (1,138,530) | | |
| Investment Tax Credit Adj. | | | | | 949 |
| Misc Revenue & Expense | | | | | |
| Total Operating Expenses: | - | (109,264) | (1,138,530) | (50,606) | (214,586) |
| Operating Rev For Return: | - | 109,264 | (1,861,470) | 50,606 | 150,937 |
| Rate Base: | | | | | |
| Electric Plant In Service | | | | (1,067,076) | (94,771) |
| Plant Held for Future Use | | | | | |
| Misc Deferred Debits | | 75,958 | 15,750,000 | | (909) |
| Elec Plant Acq Adj | | | | | |
| Nuclear Fuel | | | | | |
| Prepayments | | | | | (3,595) |
| Fuel Stock | | | | | (3,545) |
| Material & Supplies | | | | | |
| Working Capital | (692,190) | | | | |
| Weatherization | | | | | |
| Misc Rate Base | | | | | |
| Total Electric Plant: | (692,190) | 75,958 | 15,750,000 | (1,067,076) | (102,821) |
| Rate Base Deductions: | | | | | |
| Accum Prov For Deprec | | | | 337,917 | 41,451 |
| Accum Prov For Amort | | | | | |
| Accum Def Income Tax | | 386,866 | (6,261,915) | | |
| Unamortized ITC | | | | | |
| Customer Adv For Const | | | | | |
| Customer Service Deposits | | | | | 7,457 |
| Misc Rate Base Deductions | | | | | |
| Total Rate Base Deductions | - | 386,866 | (6,261,915) | 337,917 | 48,908 |
| Total Rate Base: | (692,190) | 462,824 | 9,488,085 | (729,160) | (53,913) |
| Estimated Return on Equity Impact | 0.01% | 0.02% | -0.58% | 0.02% | 0.04% |
| Estimated Price Change | (93,129) | (113,997) | 4,279,500 | (179,740) | (250,748) |
| TAX CALCULATION: | | | | | |
| Operating Revenue | - | 182,289 | (3,000,000) | 77,855 | 232,212 |
| Other Deductions | | | | | |
| Interest (AFUDC) | | | | | |
| Interest | | | | | |
| Schedule "M" Additions | | (312,646) | 3,000,000 | | |
| Schedule "M" Deductions | | | | | |
| Income Before Tax | - | (130,357) | - | 77,855 | 232,212 |
| State Income Taxes | - | - | - | - | - |
| Taxable Income | - | (130,357) | - | 77,855 | 232,212 |
| Federal Income Taxes Before Credits | - | (45,625) | - | 27,249 | 81,274 |
| Energy Tax Credits | | | | | |
| Federal Income Taxes | - | (45,625) | - | 27,249 | 81,274 |