

Exhibit No. \_\_\_ (KHB-1T)  
Docket UE-100749  
Witness: Kathryn H. Breda

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFICORP D/B/A PACIFIC POWER  
& LIGHT COMPANY,**

**Respondent.**

**DOCKET UE-100749**

**TESTIMONY OF**

**Kathryn H. Breda**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Federal Tax Issues*

**October 5, 2010  
Revised October 8, 2010  
Revised December 6, 2010**

1 adjustment to remove flow-through tax recognition for the current  
2 year and adjusted deferred income taxes to reflect flow-through  
3 treatment.

4 b. Staff Adjustment 8.11, Repairs Deduction. This restating adjustment  
5 reflects the restatement of the Repairs Deduction, recorded in  
6 September 2009, reflecting an entire year effect of the 2008 federal  
7 income tax return adjustment.

8  
9 **Q. Please identify the revenue requirement impacts of your recommendations.**

10 A. My removal of Company Adjustment 7.9, Current Year Deferred Income Tax  
11 removes the current year impact of the Company's proposal to adopt normalization  
12 starting January 1, 2011, and reflects deferred taxes on a flow-through basis  
13 consistent with what has been authorized by the Commission. This adjustment  
14 increases net operating income by ~~\$525,562~~ \$323,865, decreases, ~~increases the net~~  
15 rate base by ~~\$262,781~~ \$5,401,575, and decreases overall revenue requirement by  
16 ~~\$816,135~~ \$1,986,754. These are Washington figures. My Exhibit No. \_\_\_\_ (KHB-2)  
17 contains these figures.

18 My Adjustment 8.11, Repairs Deduction, includes the annual effect of the  
19 repairs deduction in Accumulated Deferred Income Tax. This restating adjustment  
20 decreases Net Rate Base by \$14,463,670 and decreases overall revenue requirement  
21 by \$1,745,310. These are Washington figures. My Exhibit No. \_\_\_\_ (KHB-3)  
22 contains the calculation of these figures.

1 all companies. This change would require full analysis on a case-by-case  
2 basis in order to fully understand the magnitude involving to all companies  
3 and their ratepayers.

4  
5 **Q. Please explain Staff's adjustment to remove the Company's Adjustment 7.9,**  
6 **Current Year Deferred Income Tax Normalization.**

7 A. As I have explained, the Company's Adjustment 7.9 removes the effects of flow-  
8 through for the year 2009. Staff's Adjustment 7.9 simply reverses the Company's  
9 adjustment ~~consistent with~~ and reflects flow-through treatment, consistent with what  
10 has been authorized by the Commission. ~~and~~ It is Staff's position that the  
11 Commission should deny the Company's request to adopt full normalization  
12 beginning January 1, 2011.

13 Staff's adjustment increases net operating income by ~~\$525,562~~ \$323,865,  
14 ~~increases~~ decreases the net rate base by ~~\$262,718~~ \$5,401,575, and decreases overall  
15 revenue requirement by ~~\$816,135~~ \$1,986,754. These are all Washington figures.

16  
17 **B. Allow Normalization of the Repairs Deduction**

18  
19 **Q. Please explain why the Commission should allow normalization of the**  
20 **unprotected portion of the Repairs Deduction.**

21 A. The Commission should allow normalization of the unprotected portion of the  
22 repairs deduction for the following reasons, with the following test year effect: