

PACIFIC POWER & LIGHT COMPANY

OVERALL COST OF CAPITAL

<u>Type of Capital</u>	<u>Percent of Total*</u>	<u>Cost Rate</u>	<u>Wt. Average Cost Rate</u>
Common Equity	49.10%	8.90%	4.37%
Preferred Stock	0.02%	6.75%	0.00%
Long-term Debt	50.69%	5.80%	2.94%
Short-term Debt	0.19%	2.11%	<u>0.00%</u>
			7.32%

PRE-TAX INTEREST COVERAGE† = 3.28x

† Assuming the Company experiences, prospectively, an income tax rate of 35%, the pre-tax overall return would be 9.67% [$7.32\% - (2.94\% + 0.00\%) = 4.37\% / (1 - 35\%) = 6.72\% + (2.94 + 0.00\%)$]. That pre-tax overall return (9.67%), divided by the weighted cost of debt (2.94+0.00%), indicates a pre-tax interest coverage level of 3.28 times.

* Capital structure percentages from Williams Direct, Exhibit No. __ (BNW-1T), p. 3.