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REPORT NAME: PGE's Regulated Results of Operations Report for 2012

COMPANY NAME: Portland General Electric

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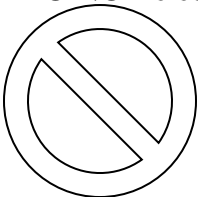
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Portland General Electric Company
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May 31, 2013

Maury Galbraith, Administrator
Electric and Natural Gas Division
Oregon Public Utility Commission
550 Capitol Street, NE, Suite 215
Salem, Oregon 97301-2551

Re: PGE's Regulated Results of Operations for 2012

Maury:

Enclosed are three copies of the Regulated Results of Operations Report for the period January 1, 2012 to December 31, 2012. The enclosure also includes three copies of the summary work papers. To create the regulated adjusted and pro forma earnings views, we apply the stipulations identified in this report from UE 215 and the OPUC letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports).

Table 1: PGE 2012 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	7.99%	7.29%	7.91%	7.42%
Return on Equity (ROE)	9.64%	8.28%	9.48%	8.47%

PGE's UE 215 base rates authorized through Order 10-478 were effective January 1, 2011.

Actual Utility Results

PGE's actual utility results come directly from PGE's General Ledger system. The primary drivers of PGE's 2012 actual utility results are declining power costs (driven by lower wholesale power and natural gas prices) and lower loads due to mild weather.

Regulated Utility Actuals

Regulated utility actual results are computed by adjusting actual recorded results for:

- Reclassification of approximately \$75.2 million from revenue to net variable power cost, consisting of sales for resale, steam sales, and resales of gas and transmission;
- Out of period adjustments that decreased Other Revenue by \$5.4 million;
- Other accounting adjustments, as specified at pages ii and iii of the Report.

The regulated actual return on equity was 8.28%. The regulated utility actuals are used to calculate the "Regulated Adjusted Results of Operations," which is consistent with the stipulations and OPUC Order in the most relevant rate case (UE 215).

Regulated Adjusted Results of Operations

The regulated adjusted results are computed by adjusting the regulated utility actuals of Table 1 for disallowances and stipulations agreed upon in the most recent general rate case, as well as other regulatory adjustments specified at pages iii through iv of the Report. Due to PGE's PCAM (Order 07-715), we did not normalize power costs or weather because it is not appropriate to assume away the conditions that produce the power cost variance. The regulated adjusted ROE is 9.48% in accordance with the deferral related to PGE's four capital projects. For 2012, there is no PCAM refund or collection.

Pro Forma Results

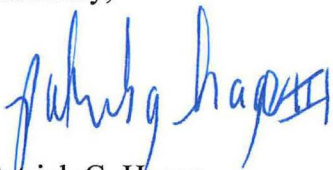
Finally, the OPUC requires utilities to estimate "Pro Forma" results, or a forward look, using the Results of Operations. Utilities are required to:

- Reflect end-of-period rate base (approximately \$28 million increase);
- Estimate additional costs and revenues that would have occurred if the utility had the year-end number of customers for the entire year. For PGE, this adjustment would increase revenues by approximately \$2.2 million and power costs by \$0.6 million;
- Remove significant nonrecurring events (OPUC letter dated March 25, 1992):
 - Reverse the 2012 annual power cost variance calculated under the PCAM to reflect normal power costs, which are more indicative of future results.

The impact of these adjustments reduces the regulated ROE from 9.48% (Regulated Adjusted Results) to 8.47% (Pro Forma Basis).

If you have any questions, please call me at (503) 464-7580, or Alex Tooman at (503) 464-7623.

Sincerely,



Patrick G. Hager
Manager, Regulatory Affairs

encl.

cc: Bob Jenks, CUB
Bradley Van Cleve, ICNU

REPORT OF OPERATIONS
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Work papers are included in a separate attachment.

1. Description of Report

The Results of Operations Report adjusts the calendar year 2012 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the UE 215 proceeding and the March 25, 1992 Staff letter. This provides a "Regulated Adjusted Results of Operation." In addition, consistent with the OPUC's reporting guidelines, we make certain "annualizing adjustments" to show operating results adjusted to period-end.

The Results of Operations Report was originally intended to provide the Commission with operating results on a comparatively forward-looking basis. Because of the potential volatility in power and natural gas markets, however, the historic operating environment is less useful in forecasting future operating performance.

In this report we included a Type II adjustment for "Nonrecurring Events." We incorporated this adjustment to "remove recorded entries related to significant nonrecurring events," as required by the OPUC letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports, page 3). Our main concern here was to eliminate those entries that may materially bias the pro forma results. PGE identified one such entry: the net variable power cost (NVPC) variance. Section 1.4 details our adjustments.

PGE's utility operating income in 2012 decreased by approximately \$9 million from 2011, which was largely due to lower wholesale power and natural gas prices and lower loads due to mild weather.

1.1 Recorded Actuals

Columns 1 through 3 on page 1 of the Results of Operations Report present the recorded actual amounts. Column 1 represents PGE's actual utility results; column 3 is PGE's financial statement for regulatory reporting. Section 1.2 discusses the adjustments in column 2.

The General Ledger Detail section of the work papers provides detail for column 1. The first two work paper documents, "Regulated Financial Detail" and "Results of Operations" restate column 1 into a rate case format (versus an external reporting format). Pages 4 and 5 summarize and report all utility accounting adjustments (column 2).

The "General Ledger Detail" work papers also include the monthly detail for constructing the actual Capital Structure and the Average Rate Base. Please note that the pro forma ROE calculation is based upon the end-of-period capital structure. All of the data, with the exception of the effective cost of debt, come directly from PGE's General Ledger System. The effective cost of debt includes the cost associated with the debt issuance and incorporates any adjustments authorized by the Commission in Order 10-478.

1.2 Utility Accounting Adjustments: Type 1

There are eight Type 1 accounting adjustments for 2012. The adjustments are found on pages 4 and 5, and are described below. Supporting documentation is included in the work papers.

- Column 1: Revolving Credit Fees and Interest on Customer Deposits
This adjustment reflects interest costs that would otherwise not appear in utility operating income:
- In UE 215, the parties stipulated that PGE would include revolving credit facility fees in A&G costs (Commission Order No. 10-410, Appendix A, page 2 of 9). For 2012, the revolving credit facility fees totaled approximately \$1.5 million.
 - Because PGE receives deposits from retail customers, which are included in rate base, we adjust Other Revenue for the interest paid on those amounts. The adjustment of approximately \$0.02 million reflects the net difference of interest paid (\$0.02 million) and received on these deposits (approximately \$0).
- Column 2: Regional Power Act (RPA) Reversal
The effects of the RPA settlement are reversed for regulatory analysis. Since these benefits are a “flow-through” item to customers, their effects on tariffs and other revenues are removed.
- Column 3: Steam Sales, Sales for Resale, Transmission, Oil and Gas Resale
Sales for Resale of approximately \$69.3 million plus steam sales and gas, oil, and transmission resales of approximately \$5.9 million are reclassified from revenues to net variable power costs for regulatory analysis.
- Column 4: Out-of-Period and Other Adjustments
For 2012, we adjust for the following items:
- Per Commission Order No. 12-141 (Docket UM 1571), PGE reversed its 2011 deferral of FERC land fees in the first quarter of 2012 (i.e., order issued after 2011 books closed). Because this entry applied to 2011, we decrease Other Revenue by \$1.1 million to reverse the 2012 entry.
 - We reduce Other Revenue by \$4.3 million to reverse the entry made in 2012 to true-up PGE’s accrual for the 2011 PCAM refund.
- Column 5: Utility Tax Adjustment (Interest Adjustment)
This adjustment accounts for the differences between PGE Consolidated interest expense and PGE (utility only) interest expense. To accomplish this, we reduce interest expense and the associated interest deduction for tax purposes. This reduction is made using the proportion of the interest costs exceeding that associated with rate base. The effect of this adjustment is to increase income tax expense. The adjustment is calculated based on the methodology established in UE 79, and continued in UE 88 and subsequent rate cases.

- Column 6: Reverse Capital Project Deferral
This entry reverses the preliminary accrual made for PGE's four capital project deferral to reflect the regulated utility actual results with no deferral effect. The deferral was approved by Commission Order Nos. 11-153, 12-050, and 12-048 (Docket No. UM 1513).
- Column 7: Add Salmon Springs Hospitality Group (SSHG) Net Income
Per Commission Order No. 06-250 (Docket UI 248), the net income for PGE's affiliate SSHG is to be "credited to PGE regulated accounts." Because PGE no longer records this net income in Other Revenue, we reflect it as a Type I Accounting Adjustment.
- Column 8: Equity Issuance Costs
This adjustment reflects approximately \$1.7 million for the amortization of equity issuance costs as included in UE 215.

1.3 Regulatory Adjustments: Type 1

Pages 6 and 7 contain the regulatory adjustments. Each adjustment is described below with supporting documentation in the appropriate work papers. Due to PGE's PCAM (Docket UE 180, Order 07-715), we did not normalize hydro conditions, plant operations, or weather.

- Column 1: Two-Cities Sales Revenue
Both the 1991 and prior deferral of "excess power costs" related to the power purchased from BPA were adjusted out of wheeling costs and rate base to comply with OPUC Order No. 91-186. We make this adjustment per a schedule (of amount and timing) through 2012, in accordance with Appendix C of that Order.
- Column 2: Advertising Categories "A" and "C" and Corporate Image
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically address advertising costs, PGE reduces customer service and A&G costs by approximately \$0.9 million as follows:
- Per OAR 860-026-0022 (3)(a) PGE limits its Category A advertising expense to "twelve and one-half hundredths of 1 percent (0.125 percent) ... of the gross retail operating revenues."
 - 100% of Category "C" advertising and corporate image expenditures.

- Column 3: Supplemental Executive Retirement Plan (SERP)
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$1.5 million in costs from regulated results of operations.
- Column 4: Management Deferred Compensation Plan (MDCP)
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$5.2 million in costs from regulated results of operations.
- Column 5: Officer Incentive Pay
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$4.7 million in costs from regulated results of operations.
- Column 6: 2012 Capital Deferral Entry
This \$18.8 million adjustment reflects the final 2012 accrual for PGE's four capital project deferral as approved by Commission Order Nos. 11-153, 12-050, and 12-048 (Docket No. UM 1513). The maximum accrual would increase the regulated adjusted results up to 10.0% in accordance with Commission Order No. 10-478 (Docket No. UE 215).

1.4 Annualized Adjustments: Type II

Pages 8 and 9 contain the annualizing adjustments. We describe each adjustment below and provide supporting documentation in the work papers.

- Column 1: Period-End Rate Base and Escalation
We adjust rate base accounts to show year-end balances, rather than average balances. We also annualized the following expense items with a half-year of escalation. The escalation rate is based on "CPI, All Items, Urban Consumers" in Global Insight's U.S. Economic Outlook.
- * Fixed Plant
 - * Transmission
 - * Distribution
 - * Customer Accounts
 - * Customer Service and Sales
 - * Administration and General
 - * Taxes Other Than Income

The escalation adjustment adds the effects of inflation to those expenses actually incurred by PGE to support its customer base. The escalation of expenses is not designed to account for the increased activities and expenses associated with the addition of new customers throughout the year. End-of-Period Customer costs are discussed in Column 3 below.

Column 2: Nonrecurring Events

PGE utilizes this adjustment to remove entries related to significant nonrecurring events. Utilities were instructed to do so in the OPUC letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports) in order to eliminate those costs and revenues that should not be relied upon on a forward-looking basis. In 2012, we identified one such event: net variable power costs.

As discussed above, PGE does not normalize net variable power costs because of PGE's PCAM. However, on a forward looking (pro forma) basis, we project net variable power costs on a normal basis. Consequently, we removed the annual power cost variance (net of PCAM refund) to reflect normal results, which is more indicative of a going-forward basis. The 2012 annual power cost variance is approximately \$16.9 million.

Column 3: End-of-Period Annualizing Adjustment

This adjustment estimates the additional costs and revenues that would have occurred if PGE had the year-end number of customers for the entire year. Incremental O&M and retail revenues are estimated based on actual average O&M per customer and PGE's year-end retail rate for 2012. No annualizing cost adjustment is required for large industrial, large commercial, or street-lighting customers.

1.5 Capital Structure

We used the actual average capital structure for the ROE calculation. For the pro forma ROE calculation, we estimated the actual end of period capital structure. The capital structure detail is shown on Page 10. The long-term debt and preferred stock detail are found in the "General Ledger Detail" section of the work papers.

1.6 Costs and Revenues for Meter Information Services

In May 2005, OPUC Staff and PGE stipulated to an agreement in Docket UE 156 concerning meter information services and the e-manager program. The stipulation was approved by OPUC Order No. 05-703. Condition No. 7 of the Order (Appendix A, page 3) specifies that PGE will provide the fully allocated costs and revenues of these services in PGE's Regulated Results of Operation Report.

In 2012, the fully allocated revenues for meter information services were \$41,915. The fully allocated costs were \$301,648. Table 1 below specifies revenues and costs by FERC account.

Table 1 - Costs and Revenues for Meter Information Services, year 2012

<u>FERC Account No.</u>	<u>Amount (\$)</u>
456	(180)
451	(24,875)
417	<u>(16,860)</u>
<i>Total Revenues</i>	<u>(41,915)</u>
903	748
908	267,196
929	(2,040)
417.1	<u>35,744</u>
<i>Total Costs</i>	<u>301,648</u>

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Regulatory adjustments based on Docket UE 215, Order 10-478	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,721,328	(5,050)	1,716,278	0	1,716,278	2,204	1,718,481
Sales for Resale	69,311	(69,311)	0	0	0	0	0
Other Operating Revenues	29,670	(5,919)	23,750	0	23,750	0	23,750
Total Operating Revenues	1,820,308	(80,280)	1,740,028	0	1,740,028	2,204	1,742,232
Operation & Maintenance							
Net Variable Power Cost	744,795	(75,230)	669,565	52	669,617	17,512	687,130
Total Fixed O&M	206,532	0	206,532	0	206,532	2,435	208,966
Other O&M	212,465	1,477	213,942	(12,189)	201,753	2,138	203,891
Total Operation & Maintenance	1,163,792	(73,753)	1,090,039	(12,137)	1,077,902	22,085	1,099,987
Depreciation & Amortization	246,814	16,816	263,630	(18,973)	244,657	1,431	246,087
Other Taxes / Franchise Fee	101,046	0	101,046	0	101,046	486	101,532
Income Taxes	64,480	(2,146)	62,334	12,159	74,493	(8,836)	65,657
Total Oper. Expenses & Taxes	1,576,131	(59,083)	1,517,048	(18,951)	1,498,098	15,165	1,513,263
Utility Operating Income	244,177	(21,197)	222,980	18,951	241,930	(12,962)	228,969
Rate of Return	7.99%		7.29%		7.91%		7.42%
Return on Equity	9.64%		8.28%		9.48%		8.47%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	6,635,324	0	6,635,324	0	6,635,324	137,011	6,772,336
Accumulated Depreciation	3,218,190	0	3,218,190	0	3,218,190	83,345	3,301,535
Accumulated Def. Income Taxes	460,782	0	460,782	10	460,792	18,741	479,533
Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
Net Utility Plant	2,956,353	0	2,956,353	(10)	2,956,343	34,926	2,991,268
Deferred Programs & Investments							
Operating Materials & Fuel	12,478	2,617	15,094	31	15,125	(447)	14,678
Misc. Deferred Credits	78,076	0	78,076	0	78,076	(175)	77,901
Unamortized Ratepayer Gains	(50,919)	0	(50,919)	0	(50,919)	(5,837)	(56,756)
Working Cash	0	0	0	0	0	0	0
	59,426	630	60,055	(739)	59,316	(333)	58,983
Total Average Rate Base	3,055,414	3,246	3,058,660	(718)	3,057,942	28,133	3,086,074

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	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues			(1+2)		(3+4)		(5+6)
1 Residential	804,945	58,728	863,673	0	863,673	1,640	865,313
2 Commercial	592,339	0	592,339	0	592,339	564	592,903
3 Industrial	208,577	0	208,577	0	208,577	0	208,577
4 Other	115,467	(63,778)	51,689	0	51,689	0	51,689
5 Sales to Consumers	1,721,328	(5,050)	1,716,278	0	1,716,278	2,204	1,718,481
6a Sales for Resale	69,311	(69,311)	0	0	0	0	0
6 Other Operating Revenues	29,670	(5,919)	23,750	0	23,750	0	23,750
7 Total Operating Revenues	1,820,308	(80,280)	1,740,028	0	1,740,028	2,204	1,742,232
Operation & Maintenance							
8 Steam VPC	57,796	0	57,796	0	57,796	0	57,796
9 Gas / Other VPC	225,047	0	225,047	0	225,047	16,929	241,976
10 Production	282,843	0	282,843	0	282,843	16,929	299,772
11 Purchased Power	393,221	0	393,221	0	393,221	583	393,804
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(75,230)	(75,230)	0	(75,230)	0	(75,230)
14 Wheeling	68,731	0	68,731	52	68,783	0	68,783
15 Net Variable Power Cost	744,795	(75,230)	669,565	52	669,617	17,512	687,130
16 Fixed Plant Cost	112,102	0	112,102	0	112,102	1,177	113,279
17 Transmission	9,948	0	9,948	0	9,948	104	10,052
18 Distribution	84,482	0	84,482	0	84,482	1,153	85,635
19 Total Fixed O&M	206,532	0	206,532	0	206,532	2,435	208,966
20 Customer Accounts / Bad Debt	52,044	0	52,044	0	52,044	559	52,603
21 Customer Service	12,207	0	12,207	(131)	12,076	127	12,203
22 Admin. & General / OPUC Fee	148,214	1,477	149,690	(12,057)	137,633	1,452	139,085
23 Other O&M	212,465	1,477	213,942	(12,189)	201,753	2,138	203,891
24 Total Operation & Maintenance	1,163,792	(73,753)	1,090,039	(12,137)	1,077,902	22,085	1,099,987
25 Depreciation & Amortization	246,814	16,816	263,630	(18,973)	244,657	1,431	246,087
26 Other Taxes / Franchise Fee	101,046	0	101,046	0	101,046	486	101,532
27 Income Taxes (Non-Federal)	483	(343)	140	1,946	2,086	(1,412)	674
28 Federal Income Tax Net of ITC	16,675	(1,803)	14,872	10,233	25,105	(7,424)	17,681
29 Deferred Income Taxes	47,322	0	47,322	(20)	47,302	0	47,302
30 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
31 I.T.C. Adjustment	0	0	0	0	0	0	0
32 Total Oper. Expenses & Taxes	1,576,131	(59,083)	1,517,048	(18,951)	1,498,098	15,165	1,513,263
33 Utility Operating Income	244,177	(21,197)	222,980	18,951	241,930	(12,962)	228,969

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Average Rate Base							
34 Utility Plant in Service	6,635,324	0	6,635,324	0	6,635,324	137,011	6,772,336
35 Accumulated Depreciation	3,218,190	0	3,218,190	0	3,218,190	83,345	3,301,535
36 Accumulated Def. Income Taxes	460,782	0	460,782	10	460,792	18,741	479,533
37 Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
38 Net Utility Plant	2,956,353	0	2,956,353	(10)	2,956,343	34,926	2,991,268
39 Deferred Programs & Investments	12,478	2,617	15,094	31	15,125	(447)	14,678
40 Operating Materials & Fuel	78,076	0	78,076	0	78,076	(175)	77,901
41 Misc. Deferred Credits	(50,919)	0	(50,919)	0	(50,919)	(5,837)	(56,756)
42 Unamortized Ratepayer Gains	0	0	0	0	0	0	0
43 Working Cash	59,426	630	60,055	(739)	59,316	(333)	58,983
44 Total Average Rate Base	3,055,414	3,246	3,058,660	(718)	3,057,942	28,133	3,086,074
Income Tax Calculations							
45 Book Revenues		(80,280)		0		2,204	
46 Book Expenses		(56,937)		(31,110)		24,002	
47 Not used		0		0		0	
48 Interest Rate Base @ Weighted Cost of Debt		(16,127)		(22)		826	
49 Schedule M Differences		(1,722)		(52)		0	
50 State Taxable Income		(5,494)		31,183		(22,624)	
51 State Income Tax @ 5.12%	6.242%	(343)		1,946		(1,412)	
52 Additional Tax Depreciation		0		0		0	
53 Federal Taxable Income		(5,151)		29,237		(21,211)	
54 Fed Tax @ 35%	35.00%	(1,803)		10,233		(7,424)	
55 ITC @ 0%	0	0		0		0	
56 Current Federal Tax		(1,803)		10,233		(7,424)	
ITC Adjustment							
57 Deferral		0		0		0	
58 Restoration		0		0		0	
59 Deferred Taxes		0		(20)		0	
60 Current/Deferred Taxes True-up		0		0		0	
61 Total Income Tax		(2,146)		12,159		(8,836)	

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps	RPA	Steam, Oil, etc. Sales and Sales-for- Resale	Out of Per and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	Add SSHG Net Income	Equity Issuance Costs	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Operating Revenues									
1 Residential		58,728							58,728
2 Commercial		0							0
3 Industrial		0							0
4 Other Revenue	(18)	(58,728)		(5,423)		0	391		(63,778)
5 Unbilled Revenues									0
6 Sales to Consumers	(18)	0	0	(5,423)	0	0	391	0	(5,050)
6a Sales for Resale			(69,311)						(69,311)
7 Other Operating Revenues			(5,919)	0					(5,919)
8 Total Operating Revenues	(18)	0	(75,230)	(5,423)	0	0	391	0	(80,280)
Operation & Maintenance									
9 Steam									0
10 Nuclear									0
11 Other									0
12 Production	0	0	0	0	0	0	0	0	0
13 Purchased Power				0					0
14 RPA Exchange		0							0
15 Sales for Resale			(75,230)						(75,230)
16 Wheeling									0
17 Net Variable Power Cost	0	0	(75,230)	0	0	0	0	0	(75,230)
18 Fixed Plant Cost									0
19 Transmission									0
20 Distribution									0
21 Total Fixed O&M	0	0	0	0	0	0	0	0	0
22 Customer Accounts									0
23 Customer Service									0
24 Administration & General	1,477			0		0	0		1,477
25 Other O&M	1,477	0	0	0	0	0	0	0	1,477
26 Total Operation & Maintenance	1,477	0	(75,230)	0	0	0	0	0	(73,753)
27 Depreciation & Amortization				0		15,094		1,722	16,816
28 Taxes Other than Income									0
29 Inc. Taxes (Non-Federal)	(93)	0	0	(338)	1,007	(943)	24	0	(343)
30 Federal Inc. Tax Net of ITC	(491)	0	0	(1,779)	5,295	(4,957)	128	0	(1,803)
31 Deferred Income Taxes	0	0	0	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0	0
33 I.T.C. Adjustment	0	0	0	0	0	0	0	0	0
34 Total Oper. Exp. & Taxes	892	0	(75,230)	(2,117)	6,303	9,194	153	1,722	(59,083)
35 Utility Operating Income	(911)	0	0	(3,306)	(6,303)	(9,194)	238	(1,722)	(21,197)

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps	RPA	Steam, Oil, etc. Sales and Sales-for- Resale	Out of Per and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	Add SSHG Net Income	Equity Issuance Costs	Total
	(1)	(2)	(3)	(5)	(6)	(4)	(4)	(8)	(9)
Average Rate Base									
36 Utility Plant in Service									0
37 Accumulated Depreciation									0
38 Acc Def. Income Taxes	0								0
39 Acc Def. Inv. Tax Credit									0
40 Net Utility Plant	0	0	0		0	0	0		0
-----									0
41 Deferred Programs & Investments								2,617	2,617
42 Operating Materials & Fuel									0
43 Misc. Deferred Credits									0
44 Unamortized Ratepayer Gains									0
45 Working Cash	35	n/a	n/a	(83)	246	359	6	67	630
46 Total Average Rate Base	35	0	0	(83)	246	359	6	2,684	3,246
Income Tax Calculations									
47 Book Revenues	(18)	0	(75,230)	(5,423)	0	0	391	0	(80,280)
48 Book Expenses	1,477	0	(75,230)	0	0	15,094	0	1,722	(56,937)
49 Not used.									0
50 Int. R-Base @ Wtd Cost of Debt	1	0	0	(2)	(16,137)	11	0	0	(16,127)
51 Schedule M Differences	0	0	0	0	0	0	0	(1,722)	(1,722)
52 State Taxable Income	(1,496)	0	0	(5,421)	16,137	(15,105)	391	0	(5,494)
53 State Tax @ 5.120%	(93)	0	0	(338)	1,007	(943)	24	0	(343)
54 Additional Tax Depreciation	0	0	0	0		0	0	0	0
55 Federal Taxable Income	(1,403)	0	0	(5,082)	15,129	(14,162)	366	0	(5,151)
56 Fed Tax 35%	(491)	0	0	(1,779)	5,295	(4,957)	128	0	(1,803)
57 ITC @ 0%	0	0	0	0	0	0	0	0	0
58 Current Federal Tax	(491)	0	0	(1,779)	5,295	(4,957)	128	0	(1,803)
ITC Adjustment									
59 Deferral	0	0	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0	0
63 Total Income Tax	(584)	0	0	(2,117)	6,303	(5,900)	153	0	(2,146)

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Regulatory adjustments based on
Docket UE 215, Order 10-478

Type I Adjustments	Two-Cities	Advertising	SERP	MDCP	Incentive Pay	Capital Project Deferral	Total Type I Adjustments
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
1 Residential							0
2 Commercial							0
3 Industrial							0
4 Other Revenue						0	0
5 Unbilled Revenues							0
6 Sales to Consumers	0	0	0	0	0	0	0
6a Sales for Resale							
7 Other Operating Revenues							0
8 Total Operating Revenues	0	0	0	0	0	0	0
Operation & Maintenance							
9 Steam							0
10 Nuclear							0
11 Other							0
12 Production	0	0	0	0	0	0	0
13 Purchased Power							0
14 RPA Exchange							0
15 Sales for Resale							0
16 Wheeling	52						52
17 Net Variable Power Cost	52	0	0	0	0	0	52
18 Fixed Plant Cost						0	0
19 Transmission							0
20 Distribution							0
21 Total Fixed O&M	0	0	0	0	0	0	0
22 Customer Accounts	0	0	0	0	0	0	0
23 Customer Service		(131)					(131)
24 Administration & General	0	(726)	(1,480)	(5,174)	(4,678)	0	(12,057)
25 Other O&M	0	(857)	(1,480)	(5,174)	(4,678)	0	(12,189)
26 Total Operation & Maintenance	52	(857)	(1,480)	(5,174)	(4,678)	0	(12,137)
27 Depreciation & Amortization						(18,973)	(18,973)
28 Taxes Other than Income	0	0	0	0	0	0	0
29 Income Taxes (Non-Federal)	(0)	54	92	323	292	1,185	1,946
30 Federal Income Tax Net of ITC	(0)	281	486	1,699	1,536	6,230	10,233
31 Deferred Income Taxes	(20)	0	0	0	0	0	(20)
32 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
33 ITC Adjustment	0	0	0	0	0	0	0
34 Total Oper. Expenses & Taxes	31	(522)	(902)	(3,152)	(2,849)	(11,557)	(18,951)
35 Utility Operating Income	(31)	522	902	3,152	2,849	11,557	18,951

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Type I Adjustments	Two-Cities (1)	Advertising (2)	SERP (3)	MDCP (4)	Incentive Pay (5)	Deferral (6)	Total Type 1 Adjustments (7)
Average Rate Base							
36 Utility Plant In Service					0		0
37 Accumulated Depecciation							0
38 Acc Def. Income Taxes	10						10
39 Acc Def. Inv. Tax Credit	0	0	0	0	0	0	0
40 Net Utility Plant	(10)	0	0	0	0	0	(10)
-----							0
41 Deferred Programs & Investments	31						31
42 Operating Materials & Fuel							0
43 Misc. Deferred Credits							0
44 Unamortized Ratepayer Gains							0
45 Working Cash @ 4.55%	1	(20)	(35)	(123)	(111)	(451)	(739)
46 Total Average Rate Base	22	(20)	(35)	(123)	(111)	(451)	(718)
Income Tax Calculations							
47 Book Revenues	0	0	0	0	0	0	0
48 Book Expenses	52	(857)	(1,480)	(5,174)	(4,678)	(18,973)	(31,110)
49 Not used							0
50 Int. R-Base @ Wtd Cost Debt	1	(1)	(1)	(4)	(3)	(14)	(22)
51 Schedule M Differences	(52)	0	0	0	0	0	(52)
52 State Taxable Income	(1)	858	1,481	5,178	4,681	18,987	31,183
53 State Tax @ 5.120%	(0)	54	92	323	292	1,185	1,946
54 Additional Tax Depreciation	0	0	0	0	0	0	0
55 Federal Taxable Income	(1)	804	1,389	4,855	4,389	17,801	29,237
56 Fed Tax @ 35%	(0)	281	486	1,699	1,536	6,230	10,233
57 ITC @ 0%	0	0	0	0	0	0	0
58 Current Federal Tax	(0)	281	486	1,699	1,536	6,230	10,233
ITC Adjustment							
59 Deferral	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0
61 Deferred Taxes	(20)	0	0	0	0	0	(20)
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
63 Total Income Tax	(21)	335	578	2,022	1,828	7,416	12,159

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Type II Adjustments	Escalation	Nonrecurring	End-of-Period	Blank	Total
	and		Annualizing		
	Period-End	Events	Adjustment	(4)	(5)
	Rate Base				
	(1)	(2)	(3)	(4)	(5)
1 Residential			1,640		1,640
2 Commercial			564		564
3 Industrial					0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	2,204	0	2,204
6a Sales for Resale					
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	2,204	0	2,204
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Other		16,929			16,929
12 Production	0	16,929	0	0	16,929
13 Purchased Power	0		583		583
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling		0			0
17 Net Variable Power Cost	0	16,929	583	0	17,512
18 Fixed Plant Cost	1,177				1,177
19 Transmission	104				104
20 Distribution	887		266		1,153
21 Total Fixed O&M	2,169	0	266	0	2,435
22 Customer Accounts/Bad Debt	546	0	13	0	559
23 Customer Service	127				127
24 Admin. & General / OPUC Fee	1,445	0	7	0	1,452
25 Other O&M	2,118	0	19	0	2,138
26 Total Operation & Maintenance	4,287	16,929	869	0	22,085
27 Depreciation & Amortization			1,431		1,431
28 Other Taxes/Franchise Fee	0	0	486	0	486
29 Income Taxes (Non-Federal)	(318)	(1,057)	(37)	0	(1,412)
30 Federal Inc. Tax Net of ITC	(1,673)	(5,559)	(192)	0	(7,424)
31 Deferred Income Taxes	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0
33 ITC Adjustment	0	0	0	0	0
34 Total Oper. Exp & Taxes	2,296	10,312	2,557	0	15,165
35 Utility Operating Income	(2,296)	(10,312)	(353)	0	(12,962)

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	Escalation and Period-End Rate Base	Nonrecurring Events	End-of-Period Annualizing Adjustment	Blank	Total
	(1)	(2)	(3)	(4)	(5)
Average Rate Base					
36 Utility Plant In Service	137,011				137,011
37 Accumulated Depecciation	83,345				83,345
38 Acc Def. Income Taxes	18,741				18,741
39 Acc Def. Inv. Tax Credit	0				0
40 Net Utility Plant	34,926	0	0	0	34,926

41 Deferred Programs & Investments	(447)				(447)
42 Operating Materials & Fuel	(175)				(175)
43 Misc. Deferred Credits	(5,837)				(5,837)
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	(835)	402	100	0	(333)
46 Total Average Rate Base	27,631	402	100	0	28,133
Income Tax Calculations					
47 Book Revenues	0	0	2,204	0	2,204
48 Book Expenses	4,287	16,929	2,786	0	24,002
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	811	12	3	0	826
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(5,098)	(16,941)	(585)	0	(22,624)
53 State Tax @ 5.120%	(318)	(1,057)	(37)	0	(1,412)
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(4,780)	(15,883)	(548)	0	(21,211)
56 Fed Tax @ 35%	(1,673)	(5,559)	(192)	0	(7,424)
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(1,673)	(5,559)	(192)	0	(7,424)
ITC Adjustment					
59 Deferral	0	0	0	0	0
60 Restoration	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0
63 Total Income Tax	(1,991)	(6,617)	(228)	0	(8,836)

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COMPOSITE COST OF CAPITAL

	Average	Percent	Percent	Weighted
UE 215, Order 10-478	Outstanding	of Capital	Cost	Percent Cost
Long Term Debt	N/A	50.00%	6.065%	3.033%
Preferred Stock	N/A	0.00%	0.000%	0.000%
Common Equity	N/A	50.00%	10.000%	5.000%
Total	0	100.00%		8.033%

	Average	Percent	Percent	Weighted
Actual Averages	Outstanding	of Capital	Cost	Percent Cost
Long Term Debt	1,586,400	48.26%	6.229%	3.01%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,700,858	51.74%	8.280%	4.28%
Total	3,287,258	100.00%		7.29%

	End of Period	Percent	Percent	Weighted
Actual End of Period	Outstanding	of Capital	Cost	Percent Cost
Long Term Debt	1,536,400	47.07%	6.236%	2.94%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,727,665	52.93%	8.472%	4.48%
Total	3,264,065	100.00%		7.42%

Note: End of period capital structure and costs used for Pro Forma ROR and ROE calcs.

Order 91-186 Methodology

Interest Adjustment (Utility Tax Adjustment)

	Rate Base	3,055,414
	Wtd Cost of Debt	3.01%
	Int. for tax deduction	91,847
(a)	Int. for tax calculation	107,991
	Utility tax adjust.	(16,144)

	Common		Common
	Equity		Equity
Dec '11	1,663,139	Jul '12	1,710,041
Jan '12	1,683,425	Aug '12	1,703,844
Feb '12	1,678,109	Sep '12	1,717,588
Mar '12	1,692,234	Oct '12	1,722,868
Apr '12	1,706,190	Nov '12	1,714,549
May '12	1,692,698	Dec '12	1,727,665
Jun '12	1,698,803		

(a) Long-term debt, short-term debt & other (no AFDC).