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COMPANY NAME: Portland General Electric

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Regulated Results of Operations

Send the completed Cover Sheet and the Report in an email addressed to [PUC.FilingCenter@state.or.us](mailto:PUC.FilingCenter@state.or.us)

Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 3930 Fairview Industrial Drive SE, Salem, OR 97302.



**Portland General Electric Company**  
 121 SW Salmon Street • Portland, Oregon 97204  
 PortlandGeneral.com

April 29, 2016

Filing Center  
 Electric and Natural Gas Division  
 Public Utility Commission of Oregon  
 201 High St. SE, Suite 100  
 Salem, Oregon 97301

**Re: PGE’s Regulated Results of Operations for 2015**

Filing Center:

Attached is a copy of the Regulated Results of Operations Report for the period January 1, 2015 to December 31, 2015. The attachments also include summary work papers. To create the regulated adjusted and pro forma earnings views, we apply the stipulations identified in this report from Docket No. UE 283 and the OPUC Staff letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports).

Table 1: PGE 2015 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	6.68%	7.02%	6.84%	6.84%
Return on Equity (ROE)	7.88%	8.54%	8.18%	8.13%

PGE’s UE 283 base rates authorized through Order 14-422 were effective January 1, 2015.

Actual Utility Results

PGE’s actual utility results come directly from PGE’s general ledger system. The primary drivers of PGE’s 2015 actual utility results are declining power costs (driven by lower wholesale power and natural gas prices), offset by lower than expected hydro output and decreased loads due to mild weather.

Regulated Utility Actuals

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

- Reclassification of approximately \$113.1 million from revenue to net variable power cost, consisting of sales for resale; steam sales; and resales of gas, oil, and transmission; and
- Other accounting adjustments, as specified at pages ii and iii of the Report.

The regulated actual return on equity was 8.54%. The regulated utility actuals are used to calculate the “Regulated Adjusted Results of Operations,” which is consistent with the stipulations and Commission Order in the most relevant rate case (Docket No. UE 283).

### 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 Power Cost Adjustment Mechanism (PCAM – approved by Commission Order No. 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 8.18%.

### Pro Forma Results

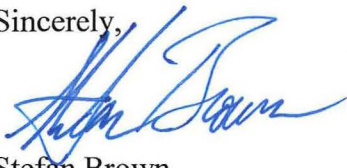
Finally, the OPUC requires utilities to estimate “Pro Forma” results, or a forward look, using the Results of Operations. Utilities are required to:

- Reflect end-of-period rate base (approximately \$59.6 million decrease reflecting an increase in depreciation);
- 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 \$7.5 million and power costs by \$4.7 million;
- Remove significant nonrecurring events (OPUC Staff letter dated March 25, 1992):
  - Reverse the 2015 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 decreased the regulated ROE from 8.18% (Regulated Adjusted Results) to 8.13% (Pro Forma Basis).

If you have any questions, please call me at (503) 464-8937, or Greg Batzler at (503) 464-8644.

Sincerely,



Stefan Brown  
Manager, Regulatory Affairs

SB:kr

encls.

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 2015 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the UE 283 proceeding and the March 25, 1992 OPUC 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 Type II adjustments for "Nonrecurring Events." We incorporated these adjustments to "remove recorded entries related to significant nonrecurring events," as required by the OPUC Staff 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's actual utility results (column 1) operating income in 2015 increased by approximately \$33 million from 2014, reflecting a decrease in power costs compared with 2014.

### 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" section of work papers also include the monthly detail for constructing the actual capital structure and the average rate base. Please note that the pro forma return on equity (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 14-422.

### 1.2 Utility Accounting Adjustments: Type 1

There are seven Type 1 accounting adjustments for 2015. The adjustments are found on pages 4 and 5, and are described below.

- 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 2015, the revolving credit facility fees totaled approximately \$1.7 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 \$0.08 million reflects the net difference of interest paid and received on these deposits.
- 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 \$105.0 million plus steam sales and gas, oil, and transmission resales of approximately \$8.4 million are reclassified from revenues to net variable power costs for regulatory analysis.
- Column 4: Out-of-Period and Other Adjustments  
For 2015, we adjust for the following item:
- We credit wheeling expense by approximately \$8.1 million to reflect the net payment<sup>1</sup> for PGE acquiring BPA wheeling rights from two third parties in 2015. For GAAP accounting purposes, PGE booked the full payment to a regulatory asset, which will be amortized over the life of the agreement, beginning when PGE uses the rights. Because PGE acquired the wheeling rights in 2015, we are reflecting the net amount for 2015, so no entries will be made in future Results of Operations Reports for the cost of deferring the wheeling rights. When PGE begins to use the wheeling rights and the regulatory asset is amortized, PGE will reflect Type 1 accounting adjustments to reverse the accounting amortization entries.

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<sup>1</sup> Gross payment less fees to BPA to defer the rights for later use.

- Column 5: Utility Tax Adjustment (Interest Adjustment)  
This adjustment accounts for the difference 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 amortization amount made for PGE's four capital projects deferral to reflect the fact that GAAP accounting does not allow revenue sensitive costs or return on equity to be included as part of the revenue requirement for the deferral. Consequently, 2015 collections for the deferral amortization reflect the full amount of the revenue requirement but the amortization does not. To correct this misalignment, we reverse the accounting amortization as part of Type 1 Accounting Adjustments and add in the full amortization amount as a Type 1 Regulatory Adjustment (see page 6, column 5).
- 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.

### 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 Power Cost Adjustment Mechanism (PCAM) approved by Commission Order No. 07-715, Docket UE 180, we did not normalize hydro or wind conditions, plant operations, or weather.

- Column 1: Advertising Categories "A" and "C" and Corporate Image  
PGE reduces Customer Service and A&G costs by approximately \$0.5 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 2: Supplemental Executive Retirement Plan (SERP)  
Although the recent rate order (No. 14-422 in Docket UE 283) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$1.5 million in costs from regulated results of operations.
- Column 3: Management Deferred Compensation Plan (MDCP)  
Although the recent rate order (No. 14-422 in Docket UE 283) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$5.2 million in costs from regulated results of operations.
- Column 4: Officer Incentive Pay  
Although the recent rate order (No. 14-422 in Docket UE 283) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$6.4 million in costs from regulated results of operations.
- Column 5: Capital Deferral Entry  
This \$25.5 million adjustment reflects the full 2015 amortization of PGE's four capital project deferral as approved by Commission Order Nos. 14-394 and 13-440 (Docket Nos. UE 275 and UE 292). As noted in page iii (Column 6) above, this amount aligns with the 2015 collections for the deferral.

#### 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 applies this adjustment to remove entries related to significant nonrecurring events. Utilities were instructed to do so in the OPUC Staff letter dated March 25, 1992 in order to eliminate those costs and revenues that should not be relied upon on a forward-looking basis. In 2015, we identified the following:

- Net Variable Power Cost (NVPC): As discussed above, PGE does not normalize actual NVPC because of PGE's PCAM. However, on a forward looking (pro forma) basis, we project NVPC on a normal basis. Consequently, we remove the 2015 annual power cost variance to reflect normal results, which is more indicative of a going-forward basis. The 2015 annual power cost variance is approximately \$2.6 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 2015. 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 No. 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 2015, total revenues for meter information services were \$438,361. The fully allocated costs were \$306,444. Table 1 below specifies revenues and costs by FERC account.

**Table 1 - Costs and Revenues for Meter Information Services, year 2014**

<u>FERC Account No.</u>	<u>Amount (\$)</u>
451	(390,105)
417	<u>(48,256)</u>
<b><i>Total Revenues</i></b>	<b><i><u>(438,361)</u></i></b>
903	432
908	270,512
929	(2,040)
417.1	<u>37,540</u>
<b><i>Total Costs</i></b>	<b><i><u>306,444</u></i></b>

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Page 1

Regulatory adjustments based on Docket UE 283, Order 14-422	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	1,772,978	231	1,773,209	0	1,773,209	7,506	1,780,715
Sales for Resale	104,940	(104,940)	0	0	0	0	0
Other Operating Revenues	32,187	(8,384)	23,803	0	23,803	0	23,803
Total Operating Revenues	1,910,105	(113,093)	1,797,012	0	1,797,012	7,506	1,804,518
Operation & Maintenance							
Net Variable Power Cost	677,028	(121,455)	555,573	0	555,573	4,654	560,227
Total Fixed O&M	261,587	0	261,587	0	261,587	3,014	264,601
Other O&M	238,813	1,685	240,498	(13,593)	226,905	2,134	229,039
Total Operation & Maintenance	1,177,428	(119,771)	1,057,657	(13,593)	1,044,065	9,802	1,053,867
Depreciation & Amortization	303,668	(19,147)	284,522	25,461	309,982	2,006	311,988
Other Taxes / Franchise Fee	114,644	0	114,644	0	114,644	1,231	115,875
Income Taxes	46,343	12,520	58,863	(4,744)	54,120	(1,590)	52,530
Total Oper. Expenses & Taxes	1,642,083	(126,397)	1,515,687	7,124	1,522,810	11,449	1,534,260
Utility Operating Income	268,021	13,304	281,325	(7,124)	274,201	(3,943)	270,259
Rate of Return	6.68%		7.02%		6.84%		6.84%
Return on Equity	7.88%		8.54%		8.18%		8.13%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	8,478,837	0	8,478,837	0	8,478,837	160,395	8,639,232
Accumulated Depreciation	3,978,721	0	3,978,721	0	3,978,721	185,027	4,163,748
Accumulated Def. Income Taxes	592,028	0	592,028	0	592,028	25,214	617,242
Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
Net Utility Plant	3,908,088	0	3,908,088	0	3,908,088	(49,846)	3,858,243
Deferred Programs & Investments	27,910	0	27,910	0	27,910	2,645	30,555
Operating Materials & Fuel	93,634	0	93,634	0	93,634	(10,795)	82,839
Misc. Deferred Credits	(76,636)	0	(76,636)	0	(76,636)	(1,959)	(78,595)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	56,841	(484)	56,358	264	56,621	334	56,955
Total Average Rate Base	4,009,837	(484)	4,009,353	264	4,009,617	(59,620)	3,949,997

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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)
			(1+2)		(3+4)		(5+6)
<b>Operating Revenues</b>							
1 Residential	845,906	54,293	900,199	0	900,199	3,458	903,657
2 Commercial	634,030	0	634,030	0	634,030	4,048	638,078
3 Industrial	211,655	0	211,655	0	211,655	0	211,655
4 Other	81,386	(54,062)	27,325	0	27,325	0	27,325
5 Sales to Consumers	1,772,978	231	1,773,209	0	1,773,209	7,506	1,780,715
6a Sales for Resale	104,940	(104,940)	0	0	0	0	0
6 Other Operating Revenues	32,187	(8,384)	23,803	0	23,803	0	23,803
7 Total Operating Revenues	1,910,105	(113,093)	1,797,012	0	1,797,012	7,506	1,804,518
<b>Operation &amp; Maintenance</b>							
8 Steam VPC	87,176	0	87,176	0	87,176	0	87,176
9 Gas / Other VPC	183,374	0	183,374	0	183,374	2,602	185,976
10 Production	270,550	0	270,550	0	270,550	2,602	273,153
11 Purchased Power	325,140	0	325,140	0	325,140	2,052	327,191
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(113,324)	(113,324)	0	(113,324)	0	(113,324)
14 Wheeling	81,338	(8,131)	73,207	0	73,207	0	73,207
15 Net Variable Power Cost	677,028	(121,455)	555,573	0	555,573	4,654	560,227
16 Fixed Plant Cost	148,232	0	148,232	0	148,232	1,356	149,587
17 Transmission	11,938	0	11,938	0	11,938	109	12,047
18 Distribution	101,417	0	101,417	0	101,417	1,549	102,967
19 Total Fixed O&M	261,587	0	261,587	0	261,587	3,014	264,601
20 Customer Accounts / Bad Debt	54,700	0	54,700	0	54,700	536	55,236
21 Customer Service	15,058	0	15,058	(74)	14,984	137	15,121
22 Admin. & General / OPUC Fee	169,055	1,685	170,739	(13,518)	157,221	1,461	158,682
23 Other O&M	238,813	1,685	240,498	(13,593)	226,905	2,134	229,039
24 Total Operation & Maintenance	1,177,428	(119,771)	1,057,657	(13,593)	1,044,065	9,802	1,053,867
25 Depreciation & Amortization	303,668	(19,147)	284,522	25,461	309,982	2,006	311,988
26 Other Taxes / Franchise Fee	114,644	0	114,644	0	114,644	1,231	115,875
27 Income Taxes (Non-Federal)	809	2,386	3,196	(904)	2,292	(303)	1,989
28 Federal Income Tax Net of ITC	4,812	10,134	14,946	(3,840)	11,106	(1,287)	9,820
29 Deferred Income Taxes	40,722	0	40,722	0	40,722	0	40,722
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	1,642,083	(126,397)	1,515,687	7,124	1,522,810	11,449	1,534,260
33 Utility Operating Income	268,021	13,304	281,325	(7,124)	274,201	(3,943)	270,259

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	Actual Utility Results (1)	Type I Accounting Adjustments (2)	Regulated Utility Actuals (3)	Type I Adjustments (4)	Regulated Adjusted Results (5)	Type II Adjustments (6)	Pro Forma Results (7)
<b>Average Rate Base</b>							
34	8,478,837	0	8,478,837	0	8,478,837	160,395	8,639,232
35	3,978,721	0	3,978,721	0	3,978,721	185,027	4,163,748
36	592,028	0	592,028	0	592,028	25,214	617,242
37	0	0	0	0	0	0	0
38	3,908,088	0	3,908,088	0	3,908,088	(49,846)	3,858,243
39	27,910	0	27,910	0	27,910	2,645	30,555
40	93,634	0	93,634	0	93,634	(10,795)	82,839
41	(76,636)	0	(76,636)	0	(76,636)	(1,959)	(78,595)
42	0	0	0	0	0	0	0
43	56,841	(484)	56,358	264	56,621	334	56,955
44	4,009,837	(484)	4,009,353	264	4,009,617	(59,620)	3,949,997
<b>Income Tax Calculations</b>							
45		(113,093)		0		7,506	
46		(138,917)		11,868		13,039	
47		0		0		0	
48		(5,517)		7		(1,553)	
49		0		0		0	
50		31,341		(11,875)		(3,980)	
51	7.614%	2,386		(904)		(303)	
52		0		0		0	
53		28,955		(10,971)		(3,677)	
54	35.00%	10,134		(3,840)		(1,287)	
55	0	0		0		0	
56		10,134		(3,840)		(1,287)	
<b>ITC Adjustment</b>							
57		0		0		0	
58		0		0		0	
59		0		0		0	
60		0		0		0	
61		12,520		(4,744)		(1,590)	

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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 Period and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	Add SSHG Net Income	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Operating Revenues</b>								
1 Residential		54,293						54,293
2 Commercial		0						0
3 Industrial		0						0
4 Other Revenue	(8)	(54,293)		0		0	239	(54,062)
5 Unbilled Revenues								0
6 Sales to Consumers	(8)	0	0	0	0	0	239	231
6a Sales for Resale			(104,940)					(104,940)
7 Other Operating Revenues			(8,384)	0				(8,384)
8 Total Operating Revenues	(8)	0	(113,324)	0	0	0	239	(113,093)
<b>Operation &amp; Maintenance</b>								
9 Steam VPC								0
10 Nuclear								0
11 Gas / Other VPC								0
12 Production	0	0	0	0	0	0	0	0
13 Purchased Power								0
14 RPA Exchange		0						0
15 Sales for Resale			(113,324)	0				(113,324)
16 Wheeling				(8,131)				(8,131)
17 Net Variable Power Cost	0	0	(113,324)	(8,131)	0	0	0	(121,455)
18 Fixed Plant Cost								0
19 Transmission								0
20 Distribution								0
21 Total Fixed O&M	0	0	0	0	0	0	0	0
22 Customer Accounts								0
23 Customer Service								0
24 Administration & General	1,685			0		0	0	1,685
25 Other O&M	1,685	0	0	0	0	0	0	1,685
26 Total Operation & Maintenance	1,685	0	(113,324)	(8,131)	0	0	0	(119,771)
27 Depreciation & Amortization				0		(19,147)		(19,147)
28 Taxes Other than Income								0
29 Inc. Taxes (Non-Federal)	(129)	0	0	619	419	1,459	18	2,386
30 Federal Inc. Tax Net of ITC	(548)	0	0	2,631	1,779	6,195	77	10,134
31 Deferred Income Taxes	0	0	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0
33 I.T.C. Adjustment	0	0	0	0	0	0	0	0
34 Total Oper. Exp. & Taxes	1,008	0	(113,324)	(4,881)	2,198	(11,493)	96	(126,397)
35 Utility Operating Income	(1,016)	0	0	4,881	(2,198)	11,493	144	13,304

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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 Period and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	Add SSHG Net Income	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Average Rate Base								
36 Utility Plant in Service								0
37 Accumulated Depreciation								0
38 Acc Def. Income Taxes								0
39 Acc Def. Inv. Tax Credit								0
40 Net Utility Plant	0	0	0		0	0	0	0
-----								
41 Deferred Programs & Investments								0
42 Operating Materials & Fuel								0
43 Misc. Deferred Credits								0
44 Unamortized Ratepayer Gains								0
45 Working Cash	37	n/a	n/a	(181)	81	(425)	4	(484)
46 Total Average Rate Base	37	0	0	(181)	81	(425)	4	(484)
Income Tax Calculations								
47 Book Revenues	(8)	0	(113,324)	0	0	0	239	(113,093)
48 Book Expenses	1,685	0	(113,324)	(8,131)	0	(19,147)	0	(138,917)
49 Not used.								0
50 Int. R-Base @ Wtd Cost of Debt	1	0	0	(5)	(5,501)	(11)	0	(5,517)
51 Schedule M Differences	0	0	0	0	0	0	0	0
52 State Taxable Income	(1,694)	0	0	8,136	5,501	19,158	239	31,341
53 State Income Tax	(129)	0	0	619	419	1,459	18	2,386
54 Additional Tax Depreciation	0	0	0	0		0	0	0
55 Federal Taxable Income	(1,565)	0	0	7,517	5,082	17,699	221	28,955
56 Fed Tax 35%	(548)	0	0	2,631	1,779	6,195	77	10,134
57 ITC @ 0%	0	0	0	0	0	0	0	0
58 Current Federal Tax	(548)	0	0	2,631	1,779	6,195	77	10,134
ITC Adjustment								
59 Deferral	0	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0
63 Total Income Tax	(677)	0	0	3,250	2,198	7,653	96	12,520



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Regulatory adjustments based on  
Docket UE 283, Order 14-422

Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Capital Project Deferral (5)	Total Type 1 Adjustments (6)
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
6a Sales for Resale						0
7 Other Operating Revenues						0
8 Total Operating Revenues	0	0	0	0	0	0
Operation & Maintenance						
9 Steam						0
10 Nuclear						0
11 Gas / Other VPC						0
12 Production	0	0	0	0	0	0
13 Purchased Power						0
14 RPA Exchange						0
15 Sales for Resale						0
16 Wheeling						0
17 Net Variable Power Cost	0	0	0	0	0	0
18 Fixed Plant Cost					0	0
19 Transmission						0
20 Distribution						0
21 Total Fixed O&M	0	0	0	0	0	0
22 Customer Accounts	0	0	0	0	0	0
23 Customer Service	(74)					(74)
24 Administration & General	(426)	(1,474)	(5,221)	(6,397)	0	(13,518)
25 Other O&M	(500)	(1,474)	(5,221)	(6,397)	0	(13,593)
26 Total Operation & Maintenance	(500)	(1,474)	(5,221)	(6,397)	0	(13,593)
27 Depreciation & Amortization					25,461	25,461
28 Taxes Other than Income	0	0	0	0	0	0
29 Income Taxes (Non-Federal)	38	112	398	487	(1,940)	(904)
30 Federal Income Tax Net of ITC	162	477	1,689	2,070	(8,238)	(3,840)
31 Deferred Income Taxes	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0	0
33 ITC Adjustment	0	0	0	0	0	0
34 Total Oper. Expenses & Taxes	(300)	(885)	(3,134)	(3,840)	15,283	7,124
35 Utility Operating Income	300	885	3,134	3,840	(15,283)	(7,124)

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Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Capital Project Deferral (5)	Total Type I Adjustments (6)
<b>Average Rate Base</b>						
36 Utility Plant In Service				0		0
37 Accumulated Depreciation						0
38 Acc Def. Income Taxes						0
39 Acc Def. Inv. Tax Credit	0	0	0	0	0	0
40 Net Utility Plant	0	0	0	0	0	0
<b>-----</b>						
41 Deferred Programs & Investments						0
42 Operating Materials & Fuel						0
43 Misc. Deferred Credits						0
44 Unamortized Ratepayer Gains						0
45 Working Cash	(11)	(33)	(116)	(142)	565	264
46 Total Average Rate Base	(11)	(33)	(116)	(142)	565	264
<b>Income Tax Calculations</b>						
47 Book Revenues	0	0	0	0	0	0
48 Book Expenses	(500)	(1,474)	(5,221)	(6,397)	25,461	11,868
49 Not used						0
50 Int. R-Base @ Wtd Cost Debt	(0)	(1)	(3)	(4)	15	7
51 Schedule M Differences	0	0	0	0	0	0
52 State Taxable Income	501	1,475	5,224	6,401	(25,476)	(11,875)
53 State Income Tax	38	112	398	487	(1,940)	(904)
54 Additional Tax Depreciation	0	0	0	0	0	0
55 Federal Taxable Income	463	1,363	4,826	5,914	(23,536)	(10,971)
56 Fed Tax 35%	162	477	1,689	2,070	(8,238)	(3,840)
57 ITC @ 0%	0	0	0	0	0	0
58 Current Federal Tax	162	477	1,689	2,070	(8,238)	(3,840)
<b>ITC Adjustment</b>						
59 Deferral	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0
63 Total Income Tax	200	589	2,087	2,557	(10,177)	(4,744)

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Type II Adjustments	Escalation and Period-End Rate Base	Nonrecurring Events	End-of-Period Annualizing Adjustment	Blank	Total
	(1)	(2)	(3)	(4)	(5)
1 Residential			3,458		3,458
2 Commercial			4,048		4,048
3 Industrial		0			0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	7,506	0	7,506
6a Sales for Resale					
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	7,506	0	7,506
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Gas / Other VPC		2,602			2,602
12 Production	0	2,602	0	0	2,602
13 Purchased Power	0		2,052		2,052
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling					0
17 Net Variable Power Cost	0	2,602	2,052	0	4,654
18 Fixed Plant Cost	1,356	0			1,356
19 Transmission	109	0			109
20 Distribution	928		622		1,549
21 Total Fixed O&M	2,392	0	622	0	3,014
22 Customer Accounts/Bad Debt	500	0	35	0	536
23 Customer Service	137				137
24 Admin. & General / OPUC Fee	1,438	0	23	0	1,461
25 Other O&M	2,075	0	59	0	2,134
26 Total Operation & Maintenance	4,468	2,602	2,732	0	9,802
27 Depreciation & Amortization			2,006		2,006
28 Other Taxes/Franchise Fee	0	0	1,231	0	1,231
29 Income Taxes (Non-Federal)	(221)	(198)	117	0	(303)
30 Federal Inc. Tax Net of ITC	(940)	(842)	495	0	(1,287)
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	3,306	1,562	6,581	0	11,449
35 Utility Operating Income	(3,306)	(1,562)	926	0	(3,943)

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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	160,395				160,395
37 Accumulated Depecciation	185,027				185,027
38 Acc Def. Income Taxes	25,214				25,214
39 Acc Def. Inv. Tax Credit	0				0
40 Net Utility Plant	(49,846)	0	0	0	(49,846)
-----					
41 Deferred Programs & Investments	2,645				2,645
42 Operating Materials & Fuel	(10,795)				(10,795)
43 Misc. Deferred Credits	(1,959)				(1,959)
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	33	58	243	0	334
46 Total Average Rate Base	(59,921)	58	243	0	(59,620)
Income Tax Calculations					
47 Book Revenues	0	0	7,506	0	7,506
48 Book Expenses	4,468	2,602	5,969	0	13,039
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	(1,561)	2	6	0	(1,553)
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(2,907)	(2,604)	1,531	0	(3,980)
53 State Income Tax	(221)	(198)	117	0	(303)
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(2,685)	(2,406)	1,414	0	(3,677)
56 Fed Tax @ 35%	(940)	(842)	495	0	(1,287)
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(940)	(842)	495	0	(1,287)
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	(1,161)	(1,040)	612	0	(1,590)

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COMPOSITE COST OF CAPITAL

Docket UE 283, Order 14-422	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	N/A	50.00%	5.443%	2.722%
Preferred Stock	N/A	0.00%	0.000%	0.000%
Common Equity	N/A	50.00%	9.680%	4.840%
Total	0	100.00%		7.562%

Actual Averages	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,047,567	49.46%	5.464%	2.70%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,092,557	50.54%	8.536%	4.31%
Total	4,140,123	100.00%		7.02%

Actual End of Period	End of Period Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,071,400	47.85%	5.444%	2.60%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,257,197	52.15%	8.125%	4.24%
Total	4,328,597	100.00%		6.84%

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	4,009,837
Wtd Cost of Debt	2.70%
Int. for tax deduction	108,358
(a) Int. for tax calculation	113,862
Utility tax adjust.	(5,504)

	Common Equity		Common Equity
Dec '14	1,910,757	Jul '15	2,214,848
Jan '15	1,936,934	Aug '15	2,226,512
Feb '15	1,929,329	Sep '15	2,231,309
Mar '15	1,938,517	Oct '15	2,218,759
Apr '15	1,949,015	Nov '15	2,234,592
May '15	1,934,822	Dec '15	2,257,197
Jun '15	2,220,647		

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