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COMPANY NAME: Portland General Electric

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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

May 5, 2015

Filing Center  
Electric and Natural Gas Division  
Public Utility Commission of Oregon  
3930 Fairview Industrial Dr., SE  
Salem, Oregon 97308-1088

**Re: PGE's Regulated Results of Operations for 2014**

Filing Center:

Attached is a copy of the Regulated Results of Operations Report for the period January 1, 2014 to December 31, 2014. As agreed to during an April 30, 2015 discussion with OPUC Staff, to allow time for incorporating all necessary adjustments, PGE is filing this report on May 5, 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 262 and the OPUC Staff letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports).

Table 1: PGE 2014 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	7.55%	7.74%	7.60%	6.14%
Return on Equity (ROE)	9.41%	9.79%	9.51%	6.76%

PGE's UE 262 base rates authorized through Order 13-459 were effective January 1, 2014.

Actual Utility Results

PGE's actual utility results come directly from PGE's general ledger system. The primary drivers of PGE's 2014 actual utility results are reduced power costs reflecting an improvement in plant operations plus hydro conditions compared to 2013.

Regulated Utility Actuals

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

- Reclassification of approximately \$136.5 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.

Regulated Results of Operations Report for 2014

May 5, 2015

Page 2

The regulated actual return on equity was 9.79%. 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 262).

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) (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 9.51%.

Pro Forma Results

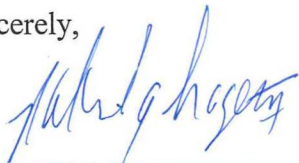
Finally, the OPUC requires utilities to estimate "Pro Forma" results, or a forward look, using the Results of Operations. Utilities are required to:

- Reflect end-of-period rate base (approximately \$772 million increase reflecting the end-of year additions of the Port Westward 2 generation plant and the Tucannon River Wind Farm);
- 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 \$4.2 million and power costs by \$1.4 million;
- Remove significant nonrecurring events (OPUC Staff letter dated March 25, 1992):
  - Reverse the 2014 annual power cost variance calculated under the PCAM to reflect normal power costs, which are more indicative of future results.
  - Reverse extraordinary items included in actual utility results and Type I accounting adjustments.

The impact of these adjustments decreased the regulated ROE from 9.51% (Regulated Adjusted Results) to 6.76% (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

PGH:sp

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 2014 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the UE 262 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 2014 increased by approximately \$13 million from 2013, reflecting an improvement in plant operations and hydro conditions compared with 2013.

### 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 includes 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 13-459.

### 1.2 Utility Accounting Adjustments: Type 1

There are eight Type 1 accounting adjustments for 2014. 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 2014, the revolving credit facility fees totaled approximately \$1.9 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 \$21,000 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 \$127.0 million plus steam sales and gas, oil, and transmission resales of approximately \$9.5 million are reclassified from revenues to net variable power costs for regulatory analysis.
- Column 4: Out-of-Period and Other Adjustments  
No out-of-period entries apply to 2014.
- 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 did not allow revenue sensitive costs or return on equity to be included as part of the revenue requirement for the deferral. Consequently, 2014 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.

Column 8: Equity Issuance Costs  
This adjustment reflects approximately \$34,000 for the amortization of equity issuance costs as included in UE 262. This entry terminates after January 2014.

### 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  
Although the recent rate order (No. 13-459 in Docket UE 262) did not specifically address advertising costs, PGE reduces A&G costs by approximately \$0.6 million as follows:

- 100% of Category "C" advertising and corporate image expenditures.

In addition, pursuant to 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." PGE's Category A advertising expense was less than the allowed amount, therefore no adjustment is made for 2014.

Column 2: Supplemental Executive Retirement Plan (SERP)  
Although the recent rate order (No. 13-459 in Docket UE 262) 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 \$1.4 million in costs from regulated results of operations.

- Column 3: Management Deferred Compensation Plan (MDCP)  
Although the recent rate order (No. 13-459 in Docket UE 262) 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 \$5.5 million in costs from regulated results of operations.
- Column 4: Officer Incentive Pay  
Although the recent rate order (No. 13-459 in Docket UE 262) 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 \$6.0 million in costs from regulated results of operations.
- Column 5: Wages and Salary Adjustment  
Commission Order No. 13-459 adjusted A&G costs based on a two-year wage and salary model using the core rate of inflation. Because the model produced a wage value greater than PGE's 2014 actual wages and salaries, we added \$250,000 to A&G expense and \$108,000 to rate base.
- Column 6: 2013 Capital Deferral Entry  
This \$20.2 million adjustment reflects the full 2014 amortization of PGE's four capital project deferral as approved by Commission Order No. 13-440 (Docket No. UE 275). As noted in pages ii and iii (Column 6) above, this amount aligns with the 2014 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 2014, 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 2014 annual power cost variance to reflect normal results, which is more indicative of a going-forward basis. The 2014 annual power cost variance is approximately \$7.0 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 2014. 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 2014, total revenues for meter information services were \$407,594. The fully allocated costs were \$340,892. 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	(325,049)
417	<u>(82,545)</u>
<b><i>Total Revenues</i></b>	<b><u>(407,594)</u></b>
903	200
908	284,060
921	150
929	(2,040)
417.1	<u>58,522</u>
<b><i>Total Costs</i></b>	<b><u>340,892</u></b>

**PORTLAND GENERAL ELECTRIC**

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Page 1

Regulatory adjustments based on Docket UE 262, Order 13-459	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)
<b>Operating Revenues</b>							
Sales to Consumers	1,761,724	263	1,761,986	0	1,761,986	4,162	1,766,148
Sales for Resale	126,952	(126,952)	0	0	0	0	0
Other Operating Revenues	34,833	(9,517)	25,316	0	25,316	0	25,316
<b>Total Operating Revenues</b>	<b>1,923,509</b>	<b>(136,206)</b>	<b>1,787,303</b>	<b>0</b>	<b>1,787,303</b>	<b>4,162</b>	<b>1,791,465</b>
<b>Operation &amp; Maintenance</b>							
Net Variable Power Cost	744,304	(136,468)	607,836	0	607,836	8,416	616,251
Total Fixed O&M	249,567	0	249,567	0	249,567	2,468	252,035
Other O&M	225,308	1,913	227,221	(13,128)	214,094	1,757	215,850
<b>Total Operation &amp; Maintenance</b>	<b>1,219,179</b>	<b>(134,555)</b>	<b>1,084,624</b>	<b>(13,128)</b>	<b>1,071,496</b>	<b>12,640</b>	<b>1,084,136</b>
Depreciation & Amortization	299,522	(15,172)	284,350	20,219	304,568	2,402	306,970
Other Taxes / Franchise Fee	106,847	0	106,847	0	106,847	703	107,549
Income Taxes	63,367	7,689	71,057	(2,829)	68,227	(13,679)	54,548
<b>Total Oper. Expenses &amp; Taxes</b>	<b>1,688,915</b>	<b>(142,038)</b>	<b>1,546,877</b>	<b>4,262</b>	<b>1,551,138</b>	<b>2,065</b>	<b>1,553,204</b>
<b>Utility Operating Income</b>	<b>234,594</b>	<b>5,832</b>	<b>240,426</b>	<b>(4,262)</b>	<b>236,165</b>	<b>2,096</b>	<b>238,261</b>
<b>Rate of Return</b>	<b>7.55%</b>		<b>7.74%</b>		<b>7.60%</b>		<b>6.14%</b>
<b>Return on Equity</b>	<b>9.41%</b>		<b>9.79%</b>		<b>9.51%</b>		<b>6.76%</b>
ROE based on actual capital structure.							
<b>Average Rate Base</b>							
Utility Plant in Service	7,225,239	0	7,225,239	108	7,225,347	1,023,137	8,248,484
Accumulated Depreciation	3,676,578	0	3,676,578	0	3,676,578	227,527	3,904,105
Accumulated Def. Income Taxes	532,464	0	532,464	0	532,464	34,350	566,814
Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
<b>Net Utility Plant</b>	<b>3,016,197</b>	<b>0</b>	<b>3,016,197</b>	<b>108</b>	<b>3,016,305</b>	<b>761,260</b>	<b>3,777,565</b>
Deferred Programs & Investments	20,677	1	20,678	0	20,678	6,515	27,194
Operating Materials & Fuel	75,984	0	75,984	0	75,984	6,328	82,313
Misc. Deferred Credits	(63,796)	0	(63,796)	0	(63,796)	(2,916)	(66,712)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	56,651	(206)	56,445	158	56,602	628	57,231
<b>Total Average Rate Base</b>	<b>3,105,713</b>	<b>(205)</b>	<b>3,105,508</b>	<b>266</b>	<b>3,105,774</b>	<b>771,815</b>	<b>3,877,590</b>

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	Actual Utility Results (1)	Type I Accounting Adjustments (2)	Regulated Utility Actuals (1+2) (3)	Type I Adjustments (4)	Regulated Adjusted Results (3+4) (5)	Type II Adjustments (6)	Pro Forma Results (5+6) (7)
<b>Operating Revenues</b>							
1 Residential	848,594	49,464	898,058	0	898,058	2,262	900,319
2 Commercial	618,596	0	618,596	0	618,596	1,900	620,497
3 Industrial	203,120	0	203,120	0	203,120	0	203,120
4 Other	91,413	(49,201)	42,212	0	42,212	0	42,212
5 Sales to Consumers	1,761,724	263	1,761,986	0	1,761,986	4,162	1,766,148
6a Sales for Resale	126,952	(126,952)	0	0	0	0	0
6 Other Operating Revenues	34,833	(9,517)	25,316	0	25,316	0	25,316
7 Total Operating Revenues	1,923,509	(136,206)	1,787,303	0	1,787,303	4,162	1,791,465
<b>Operation &amp; Maintenance</b>							
8 Steam VPC	91,433	0	91,433	0	91,433	0	91,433
9 Gas / Other VPC	156,008	0	156,008	0	156,008	6,968	162,976
10 Production	247,440	0	247,440	0	247,440	6,968	254,409
11 Purchased Power	414,524	0	414,524	0	414,524	1,447	415,972
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(136,468)	(136,468)	0	(136,468)	0	(136,468)
14 Wheeling	82,339	0	82,339	0	82,339	0	82,339
15 Net Variable Power Cost	744,304	(136,468)	607,836	0	607,836	8,416	616,251
16 Fixed Plant Cost	138,570	0	138,570	0	138,570	1,116	139,686
17 Transmission	11,158	0	11,158	0	11,158	90	11,248
18 Distribution	99,839	0	99,839	0	99,839	1,262	101,101
19 Total Fixed O&M	249,567	0	249,567	0	249,567	2,468	252,035
20 Customer Accounts / Bad Debt	51,831	0	51,831	0	51,831	438	52,269
21 Customer Service	14,179	0	14,179	0	14,179	114	14,293
22 Admin. & General / OPUC Fee	159,298	1,913	161,212	(13,128)	148,084	1,204	149,288
23 Other O&M	225,308	1,913	227,221	(13,128)	214,094	1,757	215,850
24 Total Operation & Maintenance	1,219,179	(134,555)	1,084,624	(13,128)	1,071,496	12,640	1,084,136
25 Depreciation & Amortization	299,522	(15,172)	284,350	20,219	304,568	2,402	306,970
26 Other Taxes / Franchise Fee	106,847	0	106,847	0	106,847	703	107,549
27 Income Taxes (Non-Federal)	2,119	1,442	3,560	(531)	3,030	(2,565)	465
28 Federal Income Tax Net of ITC	20,555	6,248	26,803	(2,299)	24,504	(11,114)	13,390
29 Deferred Income Taxes	40,693	0	40,693	0	40,693	0	40,693
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	1,688,915	(142,038)	1,546,877	4,262	1,551,138	2,065	1,553,204
33 Utility Operating Income	234,594	5,832	240,426	(4,262)	236,165	2,096	238,261

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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)
Average Rate Base							
34	Utility Plant in Service	7,225,239	0	7,225,239	108	7,225,347	8,248,484
35	Accumulated Depreciation	3,676,578	0	3,676,578	0	3,676,578	3,904,105
36	Accumulated Def. Income Taxes	532,464	0	532,464	0	532,464	566,814
37	Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0
38	Net Utility Plant	3,016,197	0	3,016,197	108	3,016,305	3,777,565
39	Deferred Programs & Investments	20,677	1	20,678	0	20,678	27,194
40	Operating Materials & Fuel	75,984	0	75,984	0	75,984	82,313
41	Misc. Deferred Credits	(63,796)	0	(63,796)	0	(63,796)	(66,712)
42	Unamortized Ratepayer Gains	0	0	0	0	0	0
43	Working Cash	56,651	(206)	56,445	158	56,602	57,231
44	Total Average Rate Base	3,105,713	(205)	3,105,508	266	3,105,774	3,877,590
Income Tax Calculations							
45	Book Revenues		(136,206)		0		4,162
46	Book Expenses		(149,727)		7,091		15,744
47	Not used		0		0		0
48	Interest Rate Base @ Weighted Cost of Debt		(5,737)		8		22,737
49	Schedule M Differences		(34)		0		0
50	State Taxable Income		19,292		(7,099)		(34,319)
51	State Income Tax @ 5.12%	7.474%	1,442		(531)		(2,565)
52	Additional Tax Depreciation		0		0		0
53	Federal Taxable Income		17,850		(6,568)		(31,754)
54	Fed Tax @ 35%	35.00%	6,248		(2,299)		(11,114)
55	ITC @ 0%	0	0		0		0
56	Current Federal Tax		6,248		(2,299)		(11,114)
ITC Adjustment							
57	Deferral		0		0		0
58	Restoration		0		0		0
59	Deferred Taxes		0		0		0
60	Current/Deferred Taxes True-up		0		0		0
61	Total Income Tax		7,689		(2,829)		(13,679)

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving	Steam, Oil, etc.		Out of Per and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	Add SSHG Net Income	Equity Issuance Costs	Total
	Credit Fees and Int. on Cust. Deps	RPA	Sales and Sales-for- Resale						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Operating Revenues</b>									
1 Residential		49,464							49,464
2 Commercial		0							0
3 Industrial		0							0
4 Other Revenue	(21)	(49,464)		0		0	284		(49,201)
5 Unbilled Revenues									0
6 Sales to Consumers	(21)	0	0	0	0	0	284	0	263
6a Sales for Resale			(126,952)						(126,952)
7 Other Operating Revenues			(9,517)	0					(9,517)
8 Total Operating Revenues	(21)	0	(136,468)	0	0	0	284	0	(136,206)
<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	0
13 Purchased Power				0					0
14 RPA Exchange		0							0
15 Sales for Resale			(136,468)	0					(136,468)
16 Wheeling									0
17 Net Variable Power Cost	0	0	(136,468)	0	0	0	0	0	(136,468)
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	1,913			0		0	0		1,913
25 Other O&M	1,913	0	0	0	0	0	0	0	1,913
26 Total Operation & Maintenance	1,913	0	(136,468)	0	0	0	0	0	(134,555)
27 Depreciation & Amortization				0		(15,206)		34	(15,172)
28 Taxes Other than Income									0
29 Inc. Taxes (Non-Federal)	(145)	0	0	0	428	1,137	21	0	1,442
30 Federal Inc. Tax Net of ITC	(627)	0	0	0	1,855	4,928	92	0	6,248
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	1,142	0	(136,468)	0	2,283	(9,141)	113	34	(142,038)
35 Utility Operating Income	(1,163)	0	0	0	(2,283)	9,141	171	(34)	5,832

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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)
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								1	1
42 Operating Materials & Fuel									0
43 Misc. Deferred Credits									0
44 Unamortized Ratepayer Gains									0
45 Working Cash	42	n/a	n/a	0	84	(338)	4	1	(206)
46 Total Average Rate Base	42	0	0	0	84	(338)	4	3	(205)
Income Tax Calculations									
47 Book Revenues	(21)	0	(136,468)	0	0	0	284	0	(136,206)
48 Book Expenses	1,913	0	(136,468)	0	0	(15,206)	0	34	(149,727)
49 Not used.									0
50 Int. R-Base @ Wtd Cost of Debt	1	0	0	0	(5,728)	(10)	0	0	(5,737)
51 Schedule M Differences	0	0	0	0	0	0	0	(34)	(34)
52 State Taxable Income	(1,936)	0	0	0	5,728	15,216	284	0	19,292
53 State Income Tax	(145)	0	0	0	428	1,137	21	0	1,442
54 Additional Tax Depreciation	0	0	0	0		0	0	0	0
55 Federal Taxable Income	(1,791)	0	0	0	5,300	14,079	263	0	17,850
56 Fed Tax 35%	(627)	0	0	0	1,855	4,928	92	0	6,248
57 ITC @ 0%	0	0	0	0	0	0	0	0	0
58 Current Federal Tax	(627)	0	0	0	1,855	4,928	92	0	6,248
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	(772)	0	0	0	2,283	6,065	113	0	7,689



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Regulatory adjustments based on  
Docket UE 262, Order 13-459

Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Wage & Salary Adjustment (5)	Capital Project Deferral (5)	Total Type I Adjustments (6)
<b>Operating Revenues</b>							
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							0
7 Other Operating Revenues							0
8 Total Operating Revenues	0	0	0	0	0	0	0
<b>Operation &amp; Maintenance</b>							
9 Steam							0
10 Nuclear							0
11 Gas / Other VPC							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							0
17 Net Variable Power Cost	0	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	0
22 Customer Accounts	0	0	0	0	0	0	0
23 Customer Service	0				0		0
24 Administration & General	(561)	(1,394)	(5,455)	(5,968)	250	0	(13,128)
25 Other O&M	(561)	(1,394)	(5,455)	(5,968)	250	0	(13,128)
26 Total Operation & Maintenance	(561)	(1,394)	(5,455)	(5,968)	250	0	(13,128)
27 Depreciation & Amortization						20,219	20,219
28 Taxes Other than Income	0	0	0	0	0	0	0
29 Income Taxes (Non-Federal)	42	104	408	446	(19)	(1,512)	(531)
30 Federal Income Tax Net of ITC	182	452	1,768	1,934	(82)	(6,552)	(2,299)
31 Deferred Income Taxes	0	0	0	0	0	0	0
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	(337)	(838)	(3,279)	(3,588)	149	12,155	4,262
35 Utility Operating Income	337	838	3,279	3,588	(149)	(12,155)	(4,262)

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Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Wage & Salary Adjustment (5)	Capital Project Deferral (5)	Total Type I Adjustments (6)
Average Rate Base							
36 Utility Plant In Service				0	108		108
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	108	0	108
-----							
41 Deferred Programs & Investments							0
42 Operating Materials & Fuel							0
43 Misc. Deferred Credits							0
44 Unamortized Ratepayer Gains							0
45 Working Cash	(12)	(31)	(121)	(133)	6	450	158
46 Total Average Rate Base	(12)	(31)	(121)	(133)	114	450	266
Income Tax Calculations							
47 Book Revenues	0	0	0	0	0	0	0
48 Book Expenses	(561)	(1,394)	(5,455)	(5,968)	250	20,219	7,091
49 Not used.							0
50 Int. R-Base @ Wtd Cost of Debt	(0)	(1)	(4)	(4)	3	13	8
51 Schedule M Differences	0	0	0	0	0	0	0
52 State Taxable Income	561	1,394	5,458	5,972	(253)	(20,232)	(7,099)
53 State Income Tax	42	104	408	446	(19)	(1,512)	(531)
54 Additional Tax Depreciation	0	0	0	0	0	0	0
55 Federal Taxable Income	519	1,290	5,050	5,526	(234)	(18,720)	(6,568)
56 Fed Tax 35%	182	452	1,768	1,934	(82)	(6,552)	(2,299)
57 ITC @ 0%	0	0	0	0	0	0	0
58 Current Federal Tax	182	452	1,768	1,934	(82)	(6,552)	(2,299)
ITC Adjustment							
59 Deferral	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
63 Total Income Tax	224	556	2,176	2,380	(101)	(8,064)	(2,829)

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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			2,262		2,262
2 Commercial			1,900		1,900
3 Industrial		0			0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	4,162	0	4,162
6a Sales for Resale					
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	4,162	0	4,162
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Gas / Other VPC		6,968			6,968
12 Production	0	6,968	0	0	6,968
13 Purchased Power	0		1,447		1,447
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling		0			0
17 Net Variable Power Cost	0	6,968	1,447	0	8,416
18 Fixed Plant Cost	1,116	0			1,116
19 Transmission	90	0			90
20 Distribution	804		457		1,262
21 Total Fixed O&M	2,011	0	457	0	2,468
22 Customer Accounts/Bad Debt	418	0	21	0	438
23 Customer Service	114				114
24 Admin. & General / OPUC Fee	1,191	0	13	0	1,204
25 Other O&M	1,723	0	34	0	1,757
26 Total Operation & Maintenance	3,733	6,968	1,938	0	12,640
27 Depreciation & Amortization			2,402		2,402
28 Other Taxes/Franchise Fee	0	0	703	0	703
29 Income Taxes (Non-Federal)	(1,978)	(521)	(66)	0	(2,565)
30 Federal Inc. Tax Net of ITC	(8,569)	(2,258)	(287)	0	(11,114)
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	(6,813)	4,189	4,690	0	2,065
35 Utility Operating Income	6,813	(4,189)	(528)	0	2,096

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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	1,023,137				1,023,137
37 Accumulated Depecciation	227,527				227,527
38 Acc Def. Income Taxes	34,350				34,350
39 Acc Def. Inv. Tax Credit	0				0
40 Net Utility Plant	761,260	0	0	0	761,260
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41 Deferred Programs & Investments	6,515				6,515
42 Operating Materials & Fuel	6,328				6,328
43 Misc. Deferred Credits	(2,916)				(2,916)
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	300	155	174	0	628
46 Total Average Rate Base	771,487	155	174	0	771,815
Income Tax Calculations					
47 Book Revenues	0	0	4,162	0	4,162
48 Book Expenses	3,733	6,968	5,043	0	15,744
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	22,727	5	5	0	22,737
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(26,460)	(6,973)	(886)	0	(34,319)
53 State Income Tax	(1,978)	(521)	(66)	0	(2,565)
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(24,483)	(6,452)	(820)	0	(31,754)
56 Fed Tax @ 35%	(8,569)	(2,258)	(287)	0	(11,114)
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(8,569)	(2,258)	(287)	0	(11,114)
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	(10,547)	(2,779)	(353)	0	(13,679)

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COMPOSITE COST OF CAPITAL

UE 262, Order 13-459	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	N/A	50.00%	5.541%	2.771%
Preferred Stock	N/A	0.00%	0.000%	0.000%
Common Equity	N/A	50.00%	9.750%	4.875%
Total	0	100.00%		7.646%

Actual Averages	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	1,917,650	50.62%	5.747%	2.91%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,870,947	49.38%	9.787%	4.83%
Total	3,788,597	100.00%		7.74%

Actual End of Period	End of Period Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,126,400	52.67%	5.593%	2.95%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,910,757	47.33%	6.758%	3.20%
Total	4,037,157	100.00%		6.14%

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	3,105,713
Wtd Cost of Debt	2.91%
Int. for tax deduction	90,338
Int. for tax calculation	96,069
Utility tax adjust.	(5,730)

Common Equity		Common Equity
1,818,759	Jul '13	1,892,284
1,838,052	Aug '13	1,883,927
1,837,876	Sep '13	1,888,315
1,856,036	Oct '13	1,898,195
1,869,326	Nov '13	1,896,866
1,861,036	Dec '13	1,910,757
1,870,888		