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January 30, 2006

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VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

**Re: MEHC's and PacifiCorp's Response To Request For Additional Information Re:
Stipulation
Docket UM 1209**

Enclosed for filing is the MEHC's and PacifiCorp's Response to Request for Additional Information Re: Stipulation in the above-referenced docket. A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to read "K.A. McDowell", written over the typed name.

Katherine A. McDowell

KAM:knp
Enclosure
cc: Service List

1 BEFORE THE PUBLIC UTILITY COMMISSION
2 OF OREGON

3 UM 1209

4 In the Matter of MIDAMERICAN
5 ENERGY HOLDINGS COMPANY
6 Application for Authorization to Acquire
7 Pacific Power & Light, d/b/a PacifiCorp.

**MEHC's AND PACIFICORP's
RESPONSE TO REQUEST FOR
ADDITIONAL INFORMATION RE:
STIPULATION**

8 On January 18, 2006, the Commission issued a Memorandum requesting additional
9 information on the Stipulation filed in this case on December 23, 2005. On behalf of all of
10 the parties to the Stipulation, MEHC and PacifiCorp now submit the following response.

11 Additionally, MEHC and PacifiCorp have identified two minor corrections to the Stipulation
12 and are submitting these corrections with this filing. These responses are detailed below.

13 1. The references in Oregon Commitments 15(c) and 16 to ORS 757.568 were in
14 error. These references should be to ORS 756.568. The corrected page of the Stipulation is
15 attached as Exhibit A.

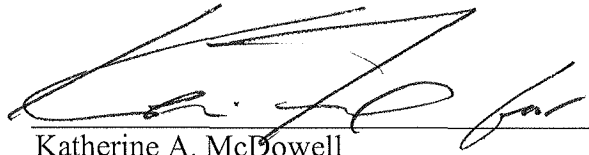
16 2. The Memorandum requests identification of the entity who will deliver the
17 consolidation opinion required by Oregon Commitment 17. MEHC intends to hire one of the
18 following three law firms to deliver the non-consolidation opinion: Latham and Watkins,
19 LeBoeuf, Lamb Greene & MacRae, LLP or Wilkie Farr & Gallagher LLP. Staff has
20 reviewed this list and agrees that these firms are all qualified to deliver the opinion.

21 3. There are two additional minor corrections required to the Stipulation. First,
22 in Oregon Commitment 12(b), the reference in the parenthetical to the INDEX CODE series
23 should be "JEADGOM," deleting the last two letters "MS." Second, in Oregon Commitment
24 11(a), the word "Utah" should be deleted from the last sentence so that the sentence reads:
25 "This Commitment is in lieu of [delete "Utah"] Commitment 38, and a state must choose
26

1 between this Commitment O 11 and Commitment 38. The corrected pages of the Stipulation
2 are attached as Exhibit B.

3 DATED: January 30, 2006.

4 STOEL RIVES LLP

5 

6 Katherine A. McDowell

7 Of Attorneys for MEHC and PacifiCorp

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Exhibit A

O 15.a) MEHC commits that immediately following the closing of the transaction, the acquiring company (PPW Holdings LLC) will have no debt in its capital structure. MEHC and PacifiCorp commit that the consolidated capital structure of PPW Holdings LLC will not contain common equity capital below the following percentages of its Total Capital as defined in Commitment 18b:

48.25% from the date of the close of the transaction through December 31, 2008;
47.25% from January 1, 2009 through December 31, 2009;
46.25% from January 1, 2010 through December 31, 2010;
45.25% from January 1, 2011 through December 31, 2011;
44.00% after December 31, 2011.

b) MEHC and PacifiCorp commit that the consolidated capital structure of PPW Holdings LLC will not contain common equity capital below 35% of its Total Adjusted Capital as defined in Commitment 18c.

c) MEHC will provide the Commission 30 days prior notice if PPW Holdings LLC intends to issue debt. MEHC and PacifiCorp acknowledge that if PPW Holdings LLC does issue debt, the Commission has the authority pursuant to a re-opener under ORS 756.568 limited to the consideration of additional ring-fencing provisions that may be appropriate.

O 16. MEHC commits that no amendments, revisions or modifications will be made to the ring-fencing provisions of Commitment 11 b) without prior Commission approval pursuant to a limited re-opener under ORS 756.568 for the sole purpose of addressing the ring-fencing provisions.

O 17. Within three months of closing of the transaction, MEHC commits to obtain a non-consolidation opinion that demonstrates that the ring fencing around PPW Holdings LLC is sufficient to prevent PPW Holdings LLC and PacifiCorp from being pulled into an MEHC bankruptcy. MEHC commits to promptly file such opinion with the Commission. If the ring-fencing provisions of this agreement are insufficient to obtain a non-consolidation opinion, MEHC agrees to promptly undertake the following actions:

a) Notify the Commission of this inability to obtain a non-consolidation opinion.

b) Propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent PPW Holdings LLC from being pulled into an MEHC bankruptcy.

c) Obtain a non-consolidation opinion.

O 18. MEHC and PacifiCorp commit that PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC if PacifiCorp's unsecured debt rating is BBB- or

Exhibit B

calendar years 2006 through 2010, inclusive, will be no more than \$7.4 million (total company). Oregon Commission Staff has valued the potential increase in PacifiCorp's total company revenue requirement from the loss of ScottishPower's captive insurance affiliate as \$4.3 million annually, which shall be the amount of the total company rate credit. This commitment expires on December 31, 2010.

- b) This commitment is offsetable if PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, the costs included in PacifiCorp's rates for such insurance coverage is not more than \$7.4 million (total company). (This commitment is reflected in Row 3 in Appendix 2.)

O 11.a) MEHC and PacifiCorp will hold customers harmless for increases in costs resulting from PacifiCorp corporate costs previously billed to PPM and other former affiliates of PacifiCorp. Oregon Commission Staff has valued the potential increase in total company revenue requirement if these costs are not eliminated as \$7.9 million annually (total company) through December 31, 2010 and \$6.4 million annually (total company) from January 1, 2011 through December 31, 2015, which shall be the amounts of the total company rate credit. This commitment shall expire on the earlier of December 31, 2015 or when PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp's rates. This Commitment is in lieu of Commitment 38, and a state must choose between this Commitment O 11 and Commitment 38.

- b) This commitment is offsetable to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp's rates. (The commitment is reflected in Row 4 of Appendix 2.)

O 12.a) MEHC and PacifiCorp commit that PacifiCorp's total company A&G costs will be reduced by \$6 million annually based on the A&G categories, assumptions, and values contained in Appendix 3 titled, "UM 1209 A & G Stretch". The amount of the total company rate credit is \$6 million per year. This commitment expires December 31, 2010. Beginning with the first month after the close of the transaction, Oregon's share of the \$0.5 million monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. This Commitment is in lieu of Commitments 22 and U 23 from the Utah settlement, and a state must choose between this Commitment O 12 and Commitments 22 and U 23.

- b) The credit will be offsetable, on a prospective basis, by the amount that PacifiCorp demonstrates to the Commission's satisfaction, in a general rate case, that total company A&G expenses included in PacifiCorp's rates are lower than the benchmark and have not been shifted to other regulatory accounts. The 2006 benchmark will be \$228.8 million. Subsequent benchmarks shall equal the 2006

benchmark multiplied by the ratio of the Global Insight's Utility Cost Information Service (UCIS)-Administrative and General – Total Operations and Maintenance Index (INDEX CODE Series JEADGOM), for the test period divided by the 2006 index value. If another index is adopted in a future PacifiCorp case, that index will replace the aforementioned index and will be used on a prospective basis only. If this occurs, the benchmark for future years will equal the benchmark from the rate case in which a new index was adopted multiplied by the ratio of the new index for the test period divided by the index value for the first year that the index is adopted.

- O 13. The premium paid by MEHC for PacifiCorp (Acquisition Premium) will be excluded from the utility accounts of PacifiCorp. Further, MEHC and PacifiCorp commit that they will not propose to recover the Acquisition Premium in Oregon retail rates, or include the Acquisition Premium in PacifiCorp's results of operations, unless this commitment is modified by the Commission, pursuant to a filing under ORS 756.568, to allow for the recovery of the Acquisition Premium. MEHC and PacifiCorp will not request or support a motion to modify this commitment to allow recovery of the Acquisition Premium unless a party in a proceeding before the Commission proposes an adjustment to PacifiCorp's revenue requirement that MEHC and PacifiCorp assert violates the regulatory theory of the matching principle. If PacifiCorp seeks recovery of the Acquisition Premium, then other Parties are free to oppose such recovery, including the validity of the matching principle.

- O 14.a) In the event of a ratings downgrade by two or more rating agencies of PacifiCorp's senior long-term debt that occurs within 12 months after the Commission approves the Transaction or issues an order adopting acquisition commitments from other PacifiCorp states, whichever comes later (the "Baseline Date"), and at least one such agency identifies issues related to MEHC's acquisition of PacifiCorp as a cause of the ratings downgrade, the assumed yield for any incremental debt issued by PacifiCorp after the downgrade will be reduced by 10 basis points for each notch that PacifiCorp is downgraded below PacifiCorp's rating on the Baseline Date. Such adjustment will continue until the debt is no longer outstanding. In the case where one rating agency issues a rating downgrade, but not two or more rating agencies, denoted as a split rating, the adjustment shall be 5 basis points for each notch. The adjustment imposed by this commitment will be eliminated for debt issuances following the ratings upgrade of PacifiCorp equal to the rating on the Baseline Date. This Commitment is in lieu of Commitment 37, and a state must choose between this Commitment O 14 and Commitment 37.

- b) In the event that debt issued by PacifiCorp within 12 months after the Baseline Date is recalled and refinanced, PacifiCorp agrees to hold customers harmless, for the term of the debt, as compared to the revenue requirements pursuant to subparagraph a) and its basis point reductions, of the originally financed debt.

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CERTIFICATE OF SERVICE

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2 I hereby certify that I served the foregoing document in Docket UM 1209 on the
3 following named person(s) on the date indicated below by

- 4 mailing with postage prepaid
5 hand delivery
6 facsimile transmission
7 Electronic mail

8 to said person(s) a true copy thereof, contained in a sealed envelope, addressed to said
9 person(s) at his or her last-known address(es) indicated below.

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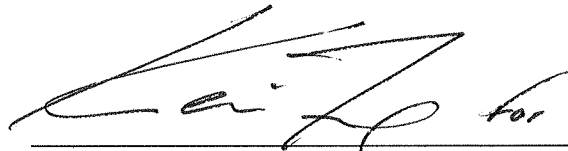
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