

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1209

In the Matter of)	
)	
)	Brief of Andrea J. Fogue
MIDAMERICAN ENERGY HOLDING)	on behalf of the League of Oregon Cities
COMPANY & PACIFICORP,)	
)	
Application for Authorization to Acquire)	
PacificCorp)	

I. INTRODUCTION

This brief is submitted on behalf of the League of Oregon Cities (LOC) who is an intervenor in this docket relating to Mid American Energy Holding Company's (MEHC) application for authorization to acquire PacificCorp. It is submitted by Andrea J. Fogue who has filed testimony in this docket and whose qualifications can be found in LOC Exhibit 1.

LOC is a voluntary association representing all 241 of Oregon's active incorporated cities. Founded in 1925, the League provides a wide array of services from training and research to policy setting and legislative advocacy. The League's membership includes all 100 cities served by PacificCorp.

In addition to the cities within PacificCorp's service territory, the League represents cities served by Portland General Electric (PGE) and consumer-owned utilities statewide. The League has an interest in protecting not only cities as consumers of electricity, but also the approximately 2.3 million ratepayers that reside in Oregon cities.

This brief is submitted pursuant to OAR 860-012-0007. To meet the expectations of the Bench Request issued by the Commission in this docket on January 18, 2006 this brief contains no legal arguments and does not attempt to reopen matters settled by the Stipulation. This brief

contains the presentation of factual argument related to this docket from the perspective of the League of Oregon Cities.

II. ISSUES

On November 1, 2005 Judge Smith issued a ruling in this Docket that established the issues to be considered in this docket. The issues included in Judge Smith's ruling that reflect LOC's issues are:

- Issue 1: Infrastructure and Resource Investment
- Issue 2: Financial Stability
- Issue 3: Customer Service
- Issue 4: Holding Company
- Issue 5: Other Effects of the Proposed MEHC Transaction

III. LOC'S POSITION ON POTENTIAL HARMS

In November 2002, the League's Board of Directors adopted a set of principles specific to the purchase of PGE. In November of 2005, the League's Board upheld these principles as guidelines for MidAmerican's proposal to purchase PacificCorp. LOC filed direct testimony in this docket on November 17, 2005. In this testimony LOC discussed the following seven principles:

- Retain all local taxes and fees
- Maintain the authority of cities, municipal electric utilities, and other consumer-owned electric utilities.
- Preserve low-cost electricity
- Retain consumer protections

- Ensure reliability and safety of the electric system
- Continue SB 1149 (Oregon’s electricity restructuring law) provisions including funding public purposes (conservation, renewable resources, and low-income weatherization)
- Retain Pacific Power as an integrated utility

In addition, the testimony discussed implications related to the repeal of Public Utility Holding Company Act (PUHCA). The League asserted that any purchase of Pacific Power must uphold the principles and issues addressed in our direct testimony and ultimately meet the test of net benefit to Oregon ratepayers.

IV. UM 1209 SETTLEMENT PROCESS AND DECEMBER 23, 2005 STIPULATION

The League of Oregon Cities was an active participant in all aspects of the settlement process in this docket. As a result of this participation we are a party to the Stipulation that was filed in this docket on December 23, 2005. The elements of the Stipulation and Commitments addressing the League’s principles and issues (with the exception of the “city ratepayer Oregon specific commitment” this is a summary of elements. Specific language is available in the Stipulation and Commitments filed December 23, 2005) are:

City ratepayer Oregon specific Commitment:

O 24: “MEHC and PacifiCorp acknowledge city franchise authority including but not limited to a city’s authority to control the use of its rights of way and collect charges for the use of the city’s rights of way, as set forth and authorized by applicable Oregon law. Before any efforts to seek a legislative or regulatory change, MEHC and PacifiCorp will enter into discussions with the League of Oregon Cities regarding said modifications.”

Commitments applicable to all states:

- 1: MEHC and PacifiCorp affirm the continuation of existing customer service guarantees and performance standards in each jurisdiction.
- 2: Penalties for noncompliance with performance standards and customer guarantees
- 3: PacifiCorp's financial books and records will be kept in Portland and will be made available to the Commission upon request.
- 4: General commitment regarding access to and retention of all books and records relevant to PacifiCorp, including the books and records of Berkshire Hathaway.
- 5: General commitment regarding availability of witnesses to Commission on matters relevant to PacifiCorp.
- 6: General commitment to permit and cooperate in audits regarding costs charged to PacifiCorp.
- 7-10: Compliance with statutes and regulations regarding affiliated interest transactions, reporting and prohibiting cross-subsidization.
- 16: Exclusion of transaction costs from utility accounts.
- 17: Agreement to provide Commission access to credit rating agency information that pertains to PacifiCorp or MEHC, including credit rating agency information of MEHC's subsidiaries that potentially impacts PacifiCorp.
- 20: MEHC and PacifiCorp acknowledge that the \$10 million low-income bill payment assistance under ORS 757.612 does not expire in 2011; MEHC and PacifiCorp will oppose any reduction to the current amount of the fund.
- 21: MEHC and PacifiCorp will not seek a higher cost of capital due to MEHC ownership.

26, 27 and 46*: MEHC will maintain the existing level of PacifiCorp's community-related contributions, will consult with regional advisory boards to ensure local perspectives are heard and continue PacifiCorp's existing economic development practices.

34 and 35: Specific transmission and infrastructure projects that enhance reliability, facilitate the receipt of renewable resources, or enable further system optimization. MEHC and PacifiCorp have also made commitments to improve system reliability.

36: MEHC commits their resources to assist PacifiCorp states in the development of transmission projects upon which states can agree.

45: Extension of Commitment 1 to extend or terminate guarantees or standards after 2011. The guarantees and standards will not be eliminated or modified without Commission approval.

47: MEHC and PacifiCorp commit to maintaining adequate staffing and presence in each state, consistent with the provision of safe and reliable service and cost-effective operations.

* identifies Commitment out of numerical order

Commitments specific to Oregon:

O 2: The corporate headquarters of PacifiCorp will remain in Oregon. MEHC commits to maintaining a balance of corporate and senior management positions between Oregon and Utah. Senior management personnel located in Oregon will continue to have authority over local Oregon retail customer service issues.

O 7: MEHC and PacifiCorp commit to \$142.5 million (total company) offsetable rate credits.

O 8: MEHC and PacifiCorp commit to reduce the annual non-fuel costs to PacifiCorp customers of the West Valley lease \$0.417 million per month, an expected \$3.7 million in 2006, \$5 million in 2007 and \$2.1 million in 2008.

O 9: Through 12/31/10, PacifiCorp's costs related to management fees previously charged to affiliates will not increase.

O 11: Through 12/21/15, PacifiCorp's costs related to corporate charges previously assigned to PPM or other affiliates will not increase.

O 12: MEHC and PacifiCorp commit that PacifiCorp's total company A&G costs will be reduced by \$6 million annually through December 31, 2010.

O 13: Acquisition premium will be excluded from utility accounts and rates, unless Commitment is modified under ORS 756.568.

O 19: MEHC and PacifiCorp commit to support renewal of the 3% public purpose charge under ORS 757.612 beyond 2011.

O 21: MEHC will provide shareholder funding to hire a consultant to study and design an arrearage management project for low-income customers that could be made applicable to Oregon.

O 22: MEHC and PacifiCorp commit to a total contribution level for low-income bill payment assistance in the amount of \$400,000 annually, for a five-year period beginning July 1, 2006.

O 33: Prior to January 1, 2016, MEHC and PacifiCorp will not support Oregon legislation to eliminate or impair retail access as defined by SB 1149.

Stipulation agreement:

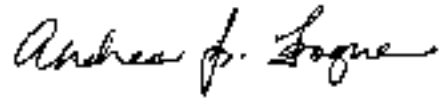
Section 15: Commitments to the signatories to share information regarding proposed utility legislation, any acquisition of an Oregon utility and changes to system operations that would negatively impact community renewable energy projects, and to make senior executives available upon request to discuss regulatory, customer service or energy policy issues.

V. CONCLUSION

The Stipulation and Commitments (filed in this docket on December 23, 2005) sufficiently address the principles and issues the League of Oregon Cities raised in our testimony and negotiations with the parties that were signatories to the Stipulation. We submit that the Stipulation meets the net benefits test required in ORS 757.511.

Dated this 6th day of February, 2006

Respectfully Submitted,

A handwritten signature in cursive script that reads "Andrea J. Fogue". The signature is written in black ink and is positioned below the text "Respectfully Submitted,".

Andrea J. Fogue

League of Oregon Cities

LOC EXHIBIT 1

WITNESS QUALIFICATION STATEMENT

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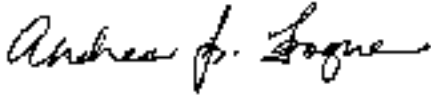
EXPERIENCE: I have been employed by the League of Oregon Cities for approximately five years. I am responsible for working with energy policy issues on behalf of cities in Oregon. In addition, I am a charter member of the Portfolio Advisory Committee established by SB 1149, Oregon's electric restructuring law and also work with the Northwest Energy Efficiency Alliance as their Oregon liaison to local governments.

OTHER EXPERIENCE: On behalf of the Oregon League of Cities, I have participated in AR 394, AR 421, UE 115, UE 116, UE 118, UE 119, UM 1121, AR 498, AR 499, and UF 4218. Prior to coming to Oregon I worked with the Iowa League of Cities where I was also responsible for energy policy issues.

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of February, 2006, I served the foregoing Brief of the League of Oregon Cities in docket UM 1209 upon each party listed below, by e-mail, or, when not available, by mail, postage prepaid, and upon the Commission by email and by sending an original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,



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