



October 20, 2005

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Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

**Re: Case UM-1209
In the Matter of MidAmerican Energy Holdings Company
Application for Authorization to Acquire Pacific Power & Light, dba PacifiCorp**

Enclosed for filing are the original and twenty-five (25) copies of PacifiCorp's Supplemental Direct Testimony and Exhibits in Case UM-1209 for Witnesses Brent E. Gale and Patrick J. Goodman. Copies of this filing have been electronically served on the UM-1209 Service List.

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

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Very truly yours,

Mark C. Moench
Senior Vice President - Law

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing document in docket UM 1209 on the following named person(s) on the date indicated below by email (if email address available) or by Overnight express mail.

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DATED: October 20, 2005.



Peggy Ryan
Regulatory Operations Coordinator

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

CASE UM-1209

In The Matter Of The Application)
Of PacifiCorp And MidAmerican Energy)
Holdings Company For Authority To)
Reorganize PacifiCorp As A Wholly)
Owned Subsidiary Of MidAmerican Energy)
Holdings Company)

SUPPLEMENTAL DIRECT TESTIMONY AND EXHIBITS

OCTOBER 2005

Case UM-1209
PPL Exhibit 308
Witness: Brent E. Gale

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Supplemental Direct Testimony of Brent E. Gale

October 2005

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Brent E. Gale. My business address is 666 Grand Avenue, Suite
4 2600, Des Moines, Iowa 50309.

5 **Q. Are you the same Brent E. Gale that previously submitted prepared direct
6 and revised direct testimony in this docket?**

7 A. Yes, I am.

8 **Q. What is the purpose of your supplemental direct testimony?**

9 A. The Commission schedule provides for the filing of Applicant's supplemental
10 testimony at this stage of the proceeding. Since the time of the filing of the
11 revised direct testimony, representatives of MidAmerican Energy Holdings
12 Company ("MEHC") and PacifiCorp have completed technical conferences in
13 each of PacifiCorp's jurisdictions and have had the opportunity to discuss the
14 transaction with interested persons in each state. In response to some of the
15 questions and concerns raised in those conferences and discussions, MEHC
16 witness Goodman and I are clarifying, modifying and supplementing our
17 testimonies and the commitments of MEHC and PacifiCorp through our
18 respective supplemental testimonies.

19 **Q. Does that mean that the only clarifications, modifications and supplemental
20 commitments that MEHC and PacifiCorp are willing to consider are
21 contained in these supplemental testimonies?**

22 A. No. MEHC and PacifiCorp will continue to discuss and address concerns and
23 questions raised by interested persons in each state, primarily through settlement

1 negotiations.

2 **Commitments**

3 **Q. Please summarize the clarifications or changes to MEHC or PacifiCorp**
4 **commitments you are sponsoring in this testimony.**

5 A. Exhibit PPL/309 is a list of all of the MEHC and PacifiCorp commitments from
6 the revised direct testimonies of the MEHC witnesses as filed with the
7 Commission. A number has been assigned to each commitment for ease of
8 reference. The black print reflects the commitments as filed in the revised direct
9 testimonies. Then, in redlined format, the exhibit sets forth the clarifications and
10 modifications to the commitments. Also in redlined format are the supplemental
11 commitments being offered by MEHC and PacifiCorp in Oregon at this time.

12 Most of the clarifications, modifications and supplemental commitments
13 are self-explanatory. However, I will expand upon some of these in my
14 supplemental direct testimony that follows.

15 **Q. As additional clarifications, modifications and supplemental commitments**
16 **are agreed to by MEHC and PacifiCorp in other jurisdictions, either through**
17 **settlement or regulatory order, how do MEHC and PacifiCorp intend to**
18 **apprise the parties in this Oregon proceeding of the same?**

19 A. During the course of Oregon settlement negotiations, MEHC and PacifiCorp will
20 regularly update the parties regarding clarifications, modifications and
21 supplemental commitments (both commitments of general applicability and state-
22 specific commitments) to which MEHC and PacifiCorp have agreed and filed in
23 other jurisdictions. The Oregon negotiating parties other than MEHC and

1 PacifiCorp will have the opportunity to decide whether each clarification,
2 modification or supplemental commitment should be applicable to Oregon. If the
3 negotiating parties other than MEHC and PacifiCorp agree that the clarification,
4 modification or supplemental commitment should be applicable to Oregon,
5 MEHC and PacifiCorp will include the same in its Oregon commitments.

6 If a clarification, modification or supplemental commitment is approved in
7 another state after settlement negotiations have ceased in Oregon but an order has
8 not yet been issued by the Oregon Commission, then MEHC and PacifiCorp
9 propose to file with the Commission (and serve copies upon the parties to this
10 Docket) copies of orders from other jurisdictions that approve or impose
11 additional clarifications, modifications or supplemental commitments (again, both
12 commitments of general applicability and state-specific commitments). MEHC
13 and PacifiCorp suggest that the Commission provide the parties seven days after
14 such filing to object to inclusion in Oregon of a clarification, modification or
15 supplemental commitment of general applicability. With respect to supplemental
16 commitments that are state specific to another jurisdiction, MEHC and PacifiCorp
17 suggest that the Commission provide the parties seven days after filing to support
18 inclusion of that state-specific commitment in Oregon.

19 If the order of the commission in another jurisdiction is issued after the
20 order of the Oregon Commission has been issued, MEHC and PacifiCorp propose
21 the same process be used. This can be accomplished by leaving the commitment
22 list as an open issue until all orders by the six PacifiCorp jurisdictions have been
23 issued.

1 **Q. The commitments by MEHC and PacifiCorp contain numerous investments.**
2 **Are MEHC and PacifiCorp requesting Commission determination of the**
3 **prudence of these investments in this Docket?**

4 A. No. The determination of prudence of these investments will be reviewed in other
5 appropriate forums, such as certificate proceedings and, ultimately, rate
6 proceedings.

7 **Q. Are MEHC and PacifiCorp requesting approval of these investments for**
8 **ratemaking purposes in this Docket?**

9 A. No. Approval of these investments for ratemaking purposes will be pursued in
10 rate or other appropriate proceedings.

11 **Q. Do MEHC and PacifiCorp intend that the commitments be binding upon the**
12 **Commission and the parties to this Docket in ratemaking proceedings?**

13 A. No. The commitments are being made by MEHC and PacifiCorp and are binding
14 only upon them (and their affiliates where noted). While this is the intent of
15 MEHC and PacifiCorp with regard to all commitments, the clarification of
16 Commitment 17 explicitly notes this intent since that has been a particular
17 concern of several interested persons.

18 **Q. Commitment 1 continues the current customer service guarantees and**
19 **performance standards and Commitment 46 extends the guarantees and**
20 **standards through 2011. How do these commitments relate to the service**
21 **quality measures adopted in UE 147?**

22 A. The two sets of service quality measures address different aspects of performance
23 and derive from different regulatory proceedings. The two sets of performance

1 measures are compared in Exhibit PPL/310.

2 Commitments 1 and 46 pertain to the Customer Service Performance
3 Standards and Customer Guarantees that were put in place at the time of the
4 ScottishPower merger. Recently, PacifiCorp extended the Service Standards and
5 Guarantees in Advice No.04-019 through March 31, 2008.

6 In Order No. 98-191, PacifiCorp and the Commission agreed to Service
7 Quality Measures (SQMs) resulting from the Company's AFOR. UE 147
8 extended only the SQMs through March 31, 2014. This extension did not apply
9 to the Customer Service Performance Standards and Customer Guarantees that
10 PacifiCorp and MEHC propose to extend as a commitment of this transaction.
11 Thus, the extension of those Standards and Guarantees is a benefit of this
12 transaction for customers.

13 The original Commitment 46 language provides for the extension of the
14 Customer Service Performance Standards and Customer Guarantees “for two
15 years, through 2011”. It should be noted that, technically, the extension is for
16 nearly four years rather than two years since the Customer Service Performance
17 Standards and Customer Guarantees were previously set to expire on March 31,
18 2008 per Advice No. 04-019. Commitment 46 has been amended to reflect this
19 change.

20 **Q. Have MEHC and PacifiCorp received comments on the proposed DSM study**
21 **of Commitment 45?**

22 A. Yes. Two key themes have emerged across the states. First, we have been
23 requested to consult with interested parties during the design phase of the study to

1 solicit feedback on the appropriate scope and focus. Second, interested persons
2 have sought assurances that this study would build on existing efforts and recent
3 studies, not duplicate them. Regarding this second point, Oregon parties have
4 expressed particular concern regarding the relationship between the DSM study
5 and analyses by the Energy Trust.

6 **Q. What is MEHC's response?**

7 A. We agree with both points. PacifiCorp intends to convene a six-state working
8 group to provide input into the design phase of the study. One of the key steps in
9 the design phase will be to compile all recent and relevant studies. We will also
10 consult with entities across the states with whom we work – including the Oregon
11 Energy Trust, Western Resource Advocates, and low-income agencies - to ensure
12 we receive their valuable insight. This workgroup will also provide an
13 opportunity for a sharing of MidAmerican Energy Company's ("MEC's")
14 experiences in this area.

15 **Q. Commitment 35 contains a footnote that indicates that an alternate**
16 **transmission investment could be substituted if one of the three identified**
17 **investments is determined not to be cost effective or optimal for customers.**

18 **Have concerns been expressed regarding this footnote?**

19 A. Yes. In response, MEHC and PacifiCorp have developed two supplemental
20 commitments that address these concerns.

21 First, Commitment 49 states that PacifiCorp will provide public notice and
22 an invitation to encourage stakeholders to participate in the Integrated Resource
23 Plan process to consider these transmission investments. It would be in this

1 forum that PacifiCorp would describe the rationale for any change and a proposed
2 replacement. We would expect any proposed replacement to provide similar
3 benefits to the system. For example, if the Walla Walla investment could not be
4 pursued, PacifiCorp would seek a replacement that provided similar opportunities
5 to deliver against the 1400 MW renewable energy goal.

6 . Second, Commitment 50 establishes annual reports to the Commission
7 regarding the implementation of the commitments. The report will provide a
8 description of the performance of each of the commitments that have quantifiable
9 results. If any of the commitments is not being met, the report will provide
10 proposed corrective measures and target dates for completion of such measures.

11 **Degree of Integration**

12 **Q. What are PacifiCorp's and MEC's plans with regard to interconnecting the**
13 **transmission systems of the two utilities?**

14 A. Currently, PacifiCorp and MEC have no plans to physically interconnect their
15 electric transmission systems. At this time, MEC has not identified a cost-
16 effective, long-term path through an AC-DC-AC inter-tie. After the close of the
17 transaction, PacifiCorp and MEC will monitor and evaluate the economics of
18 obtaining a firm contract path between the two transmission systems. This option
19 would only be pursued if it is cost-effective for PacifiCorp and MEC.

20 **Q. Does MEHC anticipate merging PacifiCorp with MEC?**

21 A. No, that is not MEHC's intent. In the unlikely event that intent changes, Oregon-
22 specific Commitment O 4 would require Commission approval of such a merger.

1 **Changes in Federal Energy Law**

2 **Q. Have pertinent changes occurred in federal energy law since MEHC and**
3 **PacifiCorp originally filed their application?**

4 A. Yes. Since the filing of the original application, Congress enacted the Energy
5 Policy Act of 2005 ("EPAAct"). One of the objectives of this legislation is to
6 promote investment in U.S. energy infrastructure through, among other things,
7 repeal of the Public Utility Holding Company Act of 1935 ("PUHCA"), effective
8 February 8, 2006. *See Frontlines*, 143 Pub Util Fort 9 (Sept 1, 2005) (quoting
9 FERC Chairman Kelliher, who stated that PUHCA repeal brings "sorely needed
10 new avenues of capital investment into the U.S. electricity sector, particularly for
11 the transmission grid where investment has been lagging growth for years.").

12 **Q. How does the repeal of PUHCA impact this transaction?**

13
14 A. By repealing PUHCA, EPAAct simplifies and streamlines this transaction by
15 eliminating the need for SEC approval, the requirement of a transmission
16 interconnection between PacifiCorp and MEC, and the need for MEHC to form a
17 services company.

18 **Q. Did MEHC file revisions to its Application and supporting testimony in**
19 **Oregon to respond to EPAAct?**

20 A. Yes. On August 17, 2005, MEHC filed revisions to its Application and
21 supporting testimony to reflect the repeal of PUHCA, effective February 8, 2006.

1 **Q. Are any of the changes and updates to MEHC's commitments in Exhibit**
2 **PPL/309 relevant to EAct and the repeal of PUHCA?**

3 A. Yes. Sections 1264 and 1265 of EAct provide for access to holding company
4 books and records by FERC and state regulators. FERC has issued a NOPR to
5 address this and other EAct-related changes, 112 FERC ¶61,300 (Sept 16,
6 2005).

7 While the outcome of this NOPR will not be known until December 2005,
8 MEHC has expanded Commitment 4 to allow access to books and records of
9 PacifiCorp's affiliates, including Berkshire Hathaway, to the extent such books
10 and records are relevant to the business of PacifiCorp. This is similar to the
11 language of Section 1265 of EAct.

12 Please also note that, although Commitment 4 expressly refers to
13 Berkshire Hathaway due to concerns expressed by persons interested in this
14 transaction, any commitment that references PacifiCorp or MEHC affiliates will
15 apply to Berkshire Hathaway without the need for an express reference. After the
16 close of the transaction, Berkshire Hathaway will be an affiliate of PacifiCorp.

17 The modifications to Commitments 11 and 21 also include additional
18 consumer protections and expand the applicability of these commitments to
19 PacifiCorp's subsidiaries. Modifications to Commitments 18, 19 and 39, as well
20 as Oregon-specific Commitment O 1 and new Oregon-specific Commitments O 3
21 and O 5, also provide pertinent consumer protections.

1 **Q. Has MEHC analyzed which aspects of PUHCA may continue under EAct**
2 **or are otherwise covered by existing law?**

3 A. Yes. MEHC has been asked by many persons interested in the PacifiCorp
4 transaction to identify which provisions of PUHCA may continue in some form
5 and which will not. Exhibit PPL/311 reflects MEHC's understanding of the
6 current status of this issue.

7 **Q. Does this conclude your prepared supplemental direct testimony?**

8 A. Yes, it does.

Case UM-1209
PPL Exhibit 309
Witness: Brent E. Gale

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Exhibit Accompanying Supplemental Direct Testimony of Brent E. Gale
Consolidated List of Commitments

October 2005

**Consolidated List of Commitments
MEHC Acquisition of PacifiCorp
Oregon Docket UM 1209**

Extension of Existing Commitments – (reference Gale’s Exhibit PPL 301)

- 1) MEHC and PacifiCorp affirm the continuation of the existing customer service guarantees and performance standards in each jurisdiction through 2009. Refer to Commitment 46 for the extension of this commitment through 2011.
- 2) Penalties for noncompliance with performance standards and customer guarantees shall be paid as designated by the Commission and shall be excluded from results of operations. PacifiCorp will abide by the Commission’s decision regarding payments.
- 3) PacifiCorp will maintain its own accounting system, separate from MEHC’s accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon, and will continue to be available to the Commission, upon request, at PacifiCorp’s offices in Portland, Oregon, Salt Lake City, Utah, and elsewhere in accordance with current practice.
- 4) MEHC and PacifiCorp will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between PacifiCorp and its affiliated interests or which are otherwise relevant to the business of PacifiCorp. This commitment is also applicable to the books and records of Berkshire Hathaway.
- 5) MEHC, PacifiCorp and all affiliates will make their employees, officers, directors, and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission.
- 6) The Commission or its agents may audit the accounting records of MEHC and its subsidiaries that are the bases for charges to PacifiCorp, to determine the reasonableness of allocation factors used by MEHC to assign costs to PacifiCorp and amounts subject to allocation or direct charges. MEHC agrees to cooperate fully with such Commission audits.
- 7) MEHC and PacifiCorp will comply with all existing Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.
- 8) PacifiCorp will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate.

- 9) PacifiCorp and MEHC will not cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with the Commission's then-existing practice with respect to such matters.
- 10) Due to PUHCA repeal, neither Berkshire Hathaway nor MEHC will be registered public utility holding companies under PUHCA. Thus, no waiver by Berkshire Hathaway or MEHC of any defenses to which they may be entitled under *Ohio Power Co. v. FERC*, 954 F.2d 779 (D.C. Cir.), cert. denied sub nom. *Arcadia v. Ohio Power Co.*, 506 U.S. 981 (1992) ("*Ohio Power*"), is necessary to maintain the Commission's regulation of MEHC and PacifiCorp. However, while PUHCA is in effect, Berkshire Hathaway and MEHC waive such defenses.
- 11) Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of MEHC and PacifiCorp following approval of the transaction will not be held in a separate company(ies) other than by PacifiCorp or a subsidiary of PacifiCorp, the entity for utility operations. Ring-fencing provisions (i.e., measures providing for separate financial and accounting treatment) will be provided for PacifiCorp and its subsidiaries each of these diversified activities, including, but not limited to, provisions protecting PacifiCorp and its subsidiaries the regulated utility from the liabilities or financial distress of MEHC. This condition will not prohibit MEHC or its affiliates other than PacifiCorp from the holding of diversified businesses.
- 12) PacifiCorp or MEHC will notify the Commission subsequent to MEHC's board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of MEHC; or (2) the change in effective control or acquisition of any material part or all of PacifiCorp by any other firm, whether by merger, combination, transfer of stock or assets.
- 13) Within 30 days of receiving all necessary state and federal regulatory approvals of the final corporate and affiliate cost allocation methodology, a written document setting forth the final corporate and affiliate cost methodology will be submitted to the Commission. On an on-going basis, the Commission will also be notified of anticipated or mandated changes to the corporate and affiliate cost allocation methodologies.
- 14) Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law or rule to be submitted to the Commission for approval, will comply with the following principles:
 - a) For services rendered to PacifiCorp or each cost category subject to allocation to PacifiCorp by MEHC or any of its affiliates, MEHC must be able to demonstrate that such service or cost category is necessary to PacifiCorp for the performance of its regulated operations, is not duplicative of services already being performed within PacifiCorp, and is reasonable and prudent.

- b) Cost allocations to PacifiCorp and its subsidiaries will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to specific subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors.
 - c) MEHC and its subsidiaries will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to PacifiCorp.
 - d) An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
 - e) Costs which would have been denied recovery in rates had they been incurred by PacifiCorp regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the MEHC group.
 - f) Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule.
- 15) PacifiCorp will maintain separate debt and, if outstanding, preferred stock ratings. PacifiCorp will maintain its own corporate credit rating, as well as ratings for each long-term debt and preferred stock (if any) issuance.
- 16) MEHC and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts. Within 90 days following completion of the transaction, MEHC will provide a preliminary accounting of these costs. Further, MEHC will provide the Commission with a final accounting of these costs within 30 days of the accounting close.
- 17) For accounting purposes, the premium paid by MEHC for PacifiCorp will be recorded in the accounts of the acquisition company and not in the utility accounts of PacifiCorp. MEHC and PacifiCorp will not propose to recover the acquisition premium in PacifiCorp's regulated retail rates; provided, however, that (1) if the Commission in a rate order issued subsequent to the closing of the transaction reduces PacifiCorp's retail revenue requirement through the imputation of benefits (other than those benefits committed to in this transaction) accruing from the acquisition company (PPW Holdings LLC), Berkshire Hathaway, or MEHC; and (2) if the Commission fails to recognize in rates the costs associated with such benefits, then MEHC and PacifiCorp reserve will have the right to propose upon rehearing and in subsequent cases a symmetrical adjustment to recognize the acquisition premium in retail revenue requirement. MEHC and PacifiCorp acknowledge that neither the Commission nor any party to a rate proceeding subsequent to the closing of the transaction is required by this commitment to allow or support inclusion of any portion of the acquisition premium in PacifiCorp's rates.

- 18) MEHC and PacifiCorp will provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to PacifiCorp.
- 19) PacifiCorp will not make any distribution to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below 40 percent of its total capital without Commission approval. PacifiCorp will notify the Commission if for any reason its common equity capital is reduced to below 44 percent of its total capital for a period longer than three consecutive months. PacifiCorp's total capital is defined as common equity, preferred equity and long-term debt. Long-term debt is defined as debt with a term of one year or more. The Commission and PacifiCorp may reexamine this minimum common equity percentage as financial conditions or accounting standards change, and may request that it be adjusted.
- 20) The capital requirements of PacifiCorp, as determined to be necessary to meet its obligation to serve the public, will be given a high priority by the Board of Directors of MEHC and PacifiCorp.
- 21) Neither PacifiCorp nor its subsidiaries will not, without the approval of the Commission, make loans or transfer funds (other than dividends and payments pursuant to the Intercompany Administrative Services Agreement) to MEHC or its affiliates, or assume any obligation or liability as guarantor, endorser, surety or otherwise for MEHC or its affiliates; provided that this condition will not prevent PacifiCorp from assuming any obligation or liability on behalf of a subsidiary of PacifiCorp. MEHC will not pledge any of the assets of the ~~regulated~~ business of PacifiCorp as backing for any securities which MEHC or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue.
- 22) MEHC and PacifiCorp, in future Commission proceedings, will not seek a higher cost of capital than that which PacifiCorp would have sought if the transaction had not occurred. Specifically, no capital financing costs should increase by virtue of the fact that PacifiCorp was acquired by MEHC.
- 23) MEHC and PacifiCorp guarantee that the customers of PacifiCorp will be held harmless if the transaction between MEHC and PacifiCorp results in a higher revenue requirement for PacifiCorp than if the transaction had not occurred; provided, however, that. ~~However,~~ this hold harmless provision willshall not apply to prudently incurred costs approved for inclusion in revenue requirement by the Commission. ~~incremental costs associated with cost-effective investments in renewable and thermal generation, energy efficiency programs, demand-side management programs, environmental measures, and transmission and distribution facilities approved by the Commission.~~
- 24) PacifiCorp will continue its Blue Sky tariff offering in all states.

- 25) PacifiCorp will continue its commitment to gather outside input on environmental matters, such as through the Environmental Forum.
- 26) PacifiCorp will continue to have environmental management systems in place that are self-certified to ISO 14001 standards at all PacifiCorp operated thermal generation plants.
- 27) MEHC will maintain at least the existing level of PacifiCorp's community-related contributions, both in terms of monetary and in-kind contributions. The distribution of PacifiCorp's community-related contributions among the states will be done in a manner that is fair and equitable to each state.
- 28) MEHC will continue to consult with regional advisory boards to ensure local perspectives are heard regarding community issues.
- 29) MEHC will honor existing labor contracts with all levels of staff.
- 30) MEHC and PacifiCorp will make no changes to employee benefit plans for at least two (2) years following the effective date of the Stock Purchase Agreement.
- 31) PacifiCorp will continue to produce Integrated Resource Plans ~~every two years,~~ according to the then current schedule and the then current Commission rules.
- 32) When acquiring new generation resources in excess of 100 MW and with a dependable life of 10 or more years, PacifiCorp and MEHC will issue Requests for Proposals (RFPs) or otherwise comply with state laws, regulations and orders that pertain to procurement of new generation resources.
- 33) Nothing in these acquisition commitments shall be interpreted as a waiver of PacifiCorp's or MEHC's rights to request confidential treatment for information that is the subject of any commitments.
- 34) Unless another process is provided by statute, otherwise specified by Commission regulations or approved PacifiCorp tariff, MEHC and PacifiCorp encourage the Commission to use the following process for administering the commitments. ~~¶~~The Commission ~~should~~ shall give MEHC and PacifiCorp written notification of any violation by either company of the commitments made in this application. If such failure is corrected within ten (10) business days for failure to file reports, or five (5) business days for other violations, the Commission ~~should~~ shall take no action. The Commission shall have the authority to determine if the corrective action has satisfied or corrected the violation. MEHC or PacifiCorp may request, for cause, an extension of these time periods. If MEHC or PacifiCorp fails to correct such violations within the specified time frames, as modified by any Commission-approved extensions, the Commission may seek to assess penalties for violation of a Commission order, against either MEHC or PacifiCorp, but not both, as allowed under state laws and regulations.

New Commitments – (reference G. Abel’s Testimony PPL 100 and Exhibit PPL 101)

35) Transmission Investment: MEHC and PacifiCorp have identified incremental transmission projects that enhance reliability, facilitate the receipt of renewable resources, or enable further system optimization. Subject to permitting and the availability of materials, equipment and rights-of-way, MEHC and PacifiCorp commit to use their best efforts to achieve the following transmission system infrastructure improvements¹:

- a) Path C Upgrade (~\$78 million) – Increase Path C capacity by 300 MW (from S.E. Idaho to Northern Utah). The target completion date for this project is 2010. This project:
 - enhances reliability because it increases transfer capability between the east and west control areas,
 - facilitates the delivery of power from wind projects in Idaho, and
 - provides PacifiCorp with greater flexibility and the opportunity to consider additional options regarding planned generation capacity additions.

- b) Mona - Oquirrh (~\$196 million) – Increase the import capability from Mona into the Wasatch Front (from Wasatch Front South to Wasatch Front North). This project would enhance the ability to import power from new resources delivered at or to Mona, and to import from Southern California by “wheeling” over the Adelanto DC tie. The target completion date for this project is 2011. This project:
 - enhances reliability by enabling the import of power from Southern California entities during emergency situations,
 - facilitates the acceptance of renewable resources, and
 - enhances further system optimization since it enables the further purchase or exchange of seasonal resources from parties capable of delivering to Mona.

- c) Walla Walla - Yakima or Mid-C (~\$88 million) – Establish a link between the “Walla Walla bubble” and the “Yakima bubble” and/or reinforce the link between the “Walla Walla bubble” and the Mid-Columbia (at Vantage). Either of these projects presents opportunities to enhance PacifiCorp’s ability to accept the output from wind generators and balance the system cost effectively in a regional environment. The target completion date for this project is 2010.

¹ While MEHC has immersed itself in the details of PacifiCorp’s business activities in the short time since the announcement of the transaction, it is possible that upon further review a particular investment might not be cost-effective or optimal for customers. If that should occur, MEHC pledges to propose an alternative to the Commission with a comparable benefit.

- 36) Other Transmission and Distribution Matters: MEHC and PacifiCorp make the following commitments to improve system reliability:
- a) investment in the Asset Risk Program of \$75 million over the three years, 2007-2009,
 - b) investment in local transmission risk projects across all states of \$69 million over eight years after the close of the transaction,
 - c) O & M expense for the Accelerated Distribution Circuit Fusing Program across all states will be increased by \$1.5 million per year for five years after the close of the transaction, and
 - d) extension of the O&M investment across all states for the Saving SAIDI Initiative for three additional years at an estimated cost of \$2 million per year.
 - e) MEHC and PacifiCorp will also support the Bonneville Power Administration in its development of short-term products such as conditional firm and redispatch products. PacifiCorp will also initiate a process to collaboratively design similar products at PacifiCorp.
- 37) Regional Transmission: MEHC recognizes that it can and should have a role in addressing the critical importance of transmission infrastructure to the states in which PacifiCorp serves. MEHC also recognizes that some transmission projects, while highly desirable, may not be appropriate investments for PacifiCorp and its regulated customers. Therefore, MEHC shareholders commit their resources and leadership to assist PacifiCorp states in the development of transmission projects upon which the states can agree. Examples of such projects would be RMATS and the proposed Frontier transmission line.
- 38) Reduced Cost of Debt: MEHC believes that PacifiCorp's incremental cost of long-term debt will be reduced as a result of the proposed transaction, due to the association with Berkshire Hathaway. Historically, MEHC's utility subsidiaries have been able to issue long-term debt at levels below their peers with similar credit ratings. MEHC commits that over the next five years it will demonstrate that PacifiCorp's incremental long-term debt issuances will be at a spread of yield ten basis points below its similarly rated peers. MEHC's demonstration will include information from a third party industry expert supporting its calculation and conclusion. ~~If MEHC is unable to demonstrate to the Commission's satisfaction it is unsuccessful in demonstrating that~~ PacifiCorp has achieved at least a ten-basis point reduction~~done so~~, PacifiCorp will accept up to a ten (10) basis point reduction to the yield it actually incurred on any incremental long-term debt issuances for any revenue requirement calculation effective for the five-year period subsequent to the approval of the proposed acquisition. It is projected that this benefit will yield a value roughly equal to \$6.3 million over the post-acquisition five-year period.
- 39) Corporate Overhead Charges: MEHC commits that the corporate charges to PacifiCorp from MEHC and MEC will not exceed \$9 million annually for a period of five years after the closing on the proposed transaction. (In FY2006, ScottishPower's net cross-charges to PacifiCorp are projected to be \$15 million.). The Intercompany Administrative Services Agreement (IASA), which includes the methods to be used

to allocate and assign corporate charges, will be filed with the Commission as soon as practicable after the closing of the transaction. Amendments to the IASA will also be filed with the Commission.

40) Future Generation Options: In ~~Exhibit PPL 301,~~ Commitment 32, MEHC and PacifiCorp adopt a commitment to source future PacifiCorp generation resources consistent with the then current rules and regulations of each state. In addition to that commitment, for the next ten years, MEHC and PacifiCorp commit that they will submit as part of any RFPs --including renewable energy RFPs --a 100 MW or more utility “own/operate” proposal for the particular resource. It is not the intent or objective that such proposals be favored over other options. Rather, the option for PacifiCorp to own and operate the resource which is the subject of the RFP will enable comparison and evaluation of that option against other alternatives. In addition to providing regulators and interested parties with an additional viable option for assessment, it can be expected that this commitment will enhance PacifiCorp’s ability to increase the proportion of cost-effective renewable energy in its generation portfolio, based upon the actual experience of MEC and the “Renewable Energy” commitment offered below.

41) Renewable Energy: MEHC reaffirms PacifiCorp's commitment to acquire 1400 MW of new cost-effective renewable resources, representing approximately 7% of PacifiCorp's load. MEHC and PacifiCorp commit to work with developers and bidders to bring at least 100 MW of cost-effective wind resources in service within one year of the close of the transaction.

MEHC and PacifiCorp expect that the commitment to build the Walla-Walla and Path C transmission lines will facilitate up to 400 MW of renewable resource projects with an expected in-service date of 2008 -2010. MEHC and PacifiCorp commit to actively work with developers to identify other transmission improvements that can facilitate the delivery of wind energy in PacifiCorp’s service area.

In addition, MEHC and PPW commit to work constructively with states to implement renewable energy action plans so as to enable ~~achievement of PacifiCorp’s to achieve~~ at least 1400 MW of cost-effective renewable energy resources by 2015 commitment. Such renewable energy resources are not limited to wind energy resources.

42) Coal Technology: MEHC supports and affirms PacifiCorp’s commitment to consider utilization of advanced coal-fuel technology such as super-critical or IGCC technology when adding coal-fueled generation.

43) Greenhouse Gas Emission Reduction: MEHC and PacifiCorp commit to participate in the Environmental Protection Agency’s SF₆ Emission Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF₆) is a highly potent greenhouse gas used in the electric industry for insulation and current interruption in electric transmission and distribution equipment. Over a 100-year period, SF₆ is 23,900 times more effective at trapping infrared radiation than an equivalent amount of CO₂,

making it the most highly potent, known greenhouse gas. SF₆ is also a very stable chemical, with an atmospheric lifetime of 3,200 years. As the gas is emitted, it accumulates in the atmosphere in an essentially un-degraded state for many centuries. Thus, a relatively small amount of SF₆ can have a significant impact on global climate change. Through its participation in the SF₆ partnership, PacifiCorp will commit to an appropriate SF₆ emissions reduction goal and annually report its estimated SF₆ emissions. This not only reduces greenhouse gas emissions, it saves money and improves grid reliability. Since 1999, EPA's SF₆ partner companies have saved \$2.5 million from the avoided gas loss alone. Use of improved SF₆ equipment and management practices helps protect system reliability and efficiency.

44) Emission Reductions from Coal-Fueled Generating Plants: Working with the affected generation plant joint owners and with regulators to obtain required approvals, MEHC and PacifiCorp commit to install the equipment likely to be necessary under future emissions control scenarios at a cost of approximately \$812 million. These investments would commence as soon as feasible after the close of the transaction. While additional expenditures may ultimately be required as future emission reduction requirements become better defined, MEHC believes these investments in emission control equipment are reasonable and environmentally beneficial. The execution of an emissions reduction plan for the existing PacifiCorp coal-fueled facilities, combined with the use of reduced-emissions coal technology for new coal-fueled generation, is expected to result in a significant decrease in the emissions rate of PacifiCorp's coal-fueled generation fleet. The investments to which MEHC is committing are expected to result in a decrease in the SO₂ emissions rates of more than 50%, a decrease in the NO_x emissions rates of more than 40%, a reduction in the mercury emissions rates of almost 40%, and no increase expected in the CO₂ emissions rate.

45) Energy Efficiency and DSM Management:

- a) MEHC and PacifiCorp commit to conducting a company-defined third-party market potential study of additional DSM and energy efficiency opportunities within PacifiCorp's service areas. The objective of the study will be to identify opportunities not yet identified by the company and, if and where possible, to recommend programs or actions to pursue those opportunities found to be cost-effective. The study will focus on opportunities for deliverable DSM and energy efficiency resources rather than technical potentials that may not be attainable through DSM and energy efficiency efforts. The findings of the study will be reported back to DSM advisory groups, commission staffs, and other interested stakeholders and will be used by the Company in helping to direct ongoing DSM and energy efficiency efforts. The study will be completed within one year after the closing on the transaction, and MEHC shareholders will absorb the first \$1 million of the costs of the study.
- b) PacifiCorp further commits to meeting its portion of the NWPPC's energy efficiency targets for Oregon, Washington and Idaho, as long as the targets can be achieved in a manner deemed cost-effective by the affected states.

c) In addition, MEHC and PacifiCorp commit that PacifiCorp and MEC will annually collaborate to identify any incremental programs that might be cost-effective for PacifiCorp customers. The Commission will be notified of any additional cost-effective programs that are identified.

46) Customer Service Standards: MEHC and PacifiCorp commit to extend, through 2011, ~~the commitment in Exhibit PPL 301, Commitment 1~~ regarding customer service guarantees and performance standards as established in each jurisdiction, and a two-year extension of nearly four years. The guarantees and standards will not be eliminated or modified without Commission approval.

47) Community Involvement and Economic Development: MEHC has significant experience in assisting its communities with economic development efforts. MEHC plans to continue PacifiCorp's existing economic development practices and use MEHC's experience to maximize the effectiveness of these efforts.

48) Corporate Presence (All States): MEHC understands that having adequate staffing and representation in each state is not optional. We understand its importance to customers, to regulators and to states. 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.

Supplemental General Commitments

49) IRP Stakeholder Process: PacifiCorp will provide public notice and an invitation to encourage stakeholders to participate in the Integrated Resource Plan process to consider Commitments 35, 40, 41, 42 and 45.

50) Reporting on Status of Commitments: By June 1, 2007 and each June 1 thereafter through June 1, 2011, PacifiCorp will file a report with the Commission regarding the implementation of Commitments 13, 15, 16, 19, and 35 through 46. The report will, at a minimum, provide a description of the performance of each of the specified commitments that have quantifiable results. If any of the commitments specified herein is not being met, relative to the specific terms of the commitment, the report shall provide proposed corrective measures and target dates for completion of such measures.

Oregon State-Specific Commitments – (reference Gale Exhibit PPL 301)

O 1. MEHC and PacifiCorp agree to the following provisions with respect to information requests and resolution of disputes related to information requests: (1) PacifiCorp and MEHC will provide Staff, upon request, access to books and records of PacifiCorp and MEHC to the extent they contain information specifically related to PacifiCorp, including Board of Director's Minutes. This commitment will not be deemed to be a waiver of PacifiCorp's or MEHC's right to seek a protective order for the information or to object to a request as overbroad, unduly burdensome or

outside the scope of the Commission's jurisdiction. (2) In the event of a dispute regarding an information request, an Administrative Law Judge of the Commission shall resolve the dispute by making a determination whether or not the requested documents would be reasonably expected to lead to the discovery of admissible evidence.

O 2. The corporate headquarters of PacifiCorp will remain in Oregon.

Supplemental Oregon State-Specific Commitments

O 3. Affiliate Transactions: MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes Sections 757.015 and 757.495 to require Commission approval of any contract between PacifiCorp and (i) any affiliate of MEHC or (ii) any affiliate of Berkshire Hathaway. This shall include the Inter-company Administrative Services Agreement (IASA); after Commission approval of the IASA, no further approval of affiliate transactions which are subject to that agreement shall be required. Commission approval shall not be required for PacifiCorp to provide electric service to affiliates of MEHC or Berkshire Hathaway under tariffs approved by state or federal authorities.

O 4. Mergers: MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes Sections 757.480 to require Commission approval of any transaction which results in a merger of PacifiCorp with another public utility, without regard to whether that public utility provides service in Oregon.

O 5. Subsidiaries: MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes Section 757.480 to require Commission approval of any transaction which results in the creation of a new subsidiary of PacifiCorp.

Case UM-1209
PPL Exhibit 310
Witness: Brent E. Gale

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Exhibit Accompanying Supplemental Direct Testimony of Brent E. Gale
Performance Measures Comparison

October 2005

Shown below is a listing of Service Quality Measures in effect in Oregon, indicating those which are AFOR related and those which are merger related. As noted, MidAmerican's commitments pertain to merger-related commitments.

Measure	Description	AFOR Related	Merger Related
CI	At Fault Complaints	X	
S1	Major Safety Violations	X	
RI	SAIDI	X	
R2	SAIFI	X	
R3	MAIFI	X	
R4	CAIDI	X	
X1	Vegetation Management Program		
	Service Personnel Count	X	
X2	Inspection and Maintenance Programs	X	
X3	Special Programs (such as cable replacement)	X	

Customer Service Performance Standards:

Telephone Service Level of 80/30		X
Respond to non disconnect Commission complaints		X
Respond to disconnect and safety Commission complaints		X
Resolve Commission complaints		X

Customer Guarantees:

Restoring Supply After an Outage		X
Meeting Appointments		X
Switching on Power		X
Providing Estimates for New Supply		X
Responding to Bill Inquiries		X
Resolving Meter Problems		X
Notifying of Planned Interruptions		X

Case UM-1209
PPL Exhibit 311
Witness: Brent E. Gale

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Exhibit Accompanying Supplemental Direct Testimony of Brent E. Gale

**Comparison of Repealed PUHCA Provisions
With New and Existing Federal & State Provisions**

October 2005

**Comparison of Repealed PUHCA Provisions
with New and Existing Federal & State Provisions**

<u>Provision of Repealed PUHCA 1935</u>	<u>Parallel Provision in the 2005 Act, If Any</u>
Definitions. Sec. 2	The 2005 Act contains various definitions that carry over from PUHCA 1935, but there are also some glitches. The definition of holding company, for example, does not include all the exemptions from holding company status that were in PUHCA 1935. 2005 Act Sec. 1262
Authority for the SEC to exempt certain holding companies, subsidiaries and affiliates from PUHCA 1935. Sec. 3	The FERC has authorization to exempt certain persons and transactions from the federal access to books and records requirements if the FERC finds that such access is not relevant to the jurisdictional rates of a public utility or natural gas company. 2005 Act Sec. 1266
Provisions requiring registration of holding companies that are not exempt. Secs. 4 and 5	The 2005 Act does not distinguish between registered and exempt holding companies except with regard to access to books and records. The FERC is proposing that a holding company should be required to file a notification with the FERC indicating that it is subject to the 2005 Act or that it qualifies for an exemption under 2005 Act Sec. 1266. FERC also proposes to subject holding companies to a PUHCA 1935 annual reporting requirement under Form U5S. NOPR, Rule 366.2(e).
Regulation of securities issuances by registered holding companies and subsidiaries. Secs. 6 and 7	No comparable provision applicable to holding companies or non-utility subsidiaries in the 2005 Act. However, securities issuances by public utilities that were regulated by the SEC because they were not subject to state approval will require FERC authorization under Sec. 204 of the Federal Power Act (“FPA”).
Restriction on ownership of electric and gas utilities serving substantially the same territory. Sec. 8	No comparable provision in the 2005 Act.

**Comparison of Repealed PUHCA Provisions
with New and Existing Federal & State Provisions**

<p>Restrictions on the acquisition of securities, public utilities, utility assets and interests in non-utility businesses. Secs. 9 and 10</p>	<p>No comparable provision in the 2005 Act; however, 2005 Act Sec. 1289 did expand FERC authority to review public utility acquisitions under Sec. 203 of the FPA. FERC must consider cross subsidization and encumbrances of utility assets. Many states also regulate some or all of these transactions. In addition, these transactions are the subject of MEHC commitments.</p>
<p>Single integrated utility system requirement, corporate and capital structure simplification requirements, and limitations on non-utility businesses. Sec. 11</p>	<p>FERC seeks comment in the NOPR whether it should propose rules or policies to limit holding company diversification based on authority under the FPA and the Natural Gas Act (“NGA”). In addition, MEHC is making a commitment that PacifiCorp will not engage in non-utility businesses.</p>
<p>Restrictions on intercompany loans and extensions of credit, dividends, sales of utility assets, political contributions. Sec. 12</p>	<p>FERC seeks comment in the NOPR whether it should propose rules or policies to limit the encumbrance of utility assets and cross subsidization based on authority under the FPA and the NGA. Many states also regulate some or all of these transactions. In addition, these transactions are the subject of MEHC commitments. Among others, the ring-fencing commitments restrict these types of transactions.</p>
<p>Restrictions on affiliate transactions in goods, services and construction and imposing “at cost” standard for most transactions. Sec 13</p>	<p>The 2005 Act permits holding companies or state commissions to seek FERC review and authorization of cost allocations in connection with non-power goods and services provided by a service company to a public utility company. 2005 Act Sec. 1275. The FERC NOPR seeks comment whether FERC should accept SEC “at cost” standard or apply FERC’s traditional “lower of cost or market” standard to such service transactions. Many states also regulate some or all of these transactions. In addition, these transactions are the subject of MEHC commitments.</p>

**Comparison of Repealed PUHCA Provisions
with New and Existing Federal & State Provisions**

<p>Permits SEC to require registered holding companies and service companies to file periodic and special reports. Sec. 14</p>	<p>The FERC NOPR proposes reporting requirements including annual reports for holding companies on SEC Form U5S and annual service company reports on Form U-13-60.</p>
<p>Permits SEC to require the maintenance of books, records and accounts. Sec. 15</p>	<p>The 2005 Act permits the FERC to determine what books, accounts and records should be maintained by a holding company and its subsidiaries as relevant to costs incurred by public utility and necessary to affect FERC's ratemaking function. 2005 Act Sec. 1264. The 2005 Act also authorizes states to require the production of the books and records of a holding company and its subsidiaries that are relevant to costs incurred by a jurisdictional public utility in the same holding company system. 2005 Act Sec. 1265. The FERC NOPR proposes to make certain accounting rules such as Regulation S-X applicable to all companies in a holding company system.</p>
<p>Imposes liability for misleading statements in statements or documents filed with the SEC under PUHCA 1935. Sec. 16</p>	<p>The 2005 Act has no directly comparable provision, but it does provide that the FERC has the same powers to enforce the 2005 Act as it has in Sections 306-317 of the FPA. 2005 Act Sec. 1270</p>
<p>Restricts officers and directors of registered holding company and subsidiaries from also serving as officers and directors of banks. Sec. 17</p>	<p>No comparable provision in the 2005 Act. FERC already had authority to regulate certain interlocking directorate relationships and is enforcing that authority.</p>
<p>Provides for SEC investigations, hearings, the issuance of rules, regulations and orders to implement PUHCA 1935, confidentiality of certain information provided to the SEC, and court review of SEC orders. Secs. 18-25</p>	<p>FERC is granted similar powers to enforce the 2005 Act as it has in Sections 306-317 of the FPA. 2005 Act Sec. 1270. FERC is required to maintain the confidentiality of certain information obtained during the examination of books and records under 2005 Act Sec. 1264. States required to protect confidential information under 2005 Act Sec. 1265</p>

**Comparison of Repealed PUHCA Provisions
with New and Existing Federal & State Provisions**

<p>Provides that contracts made in violation of any provision of PUHCA 1935 shall be void. Sec. 26</p>	<p>No comparable provision in the 2005 Act.</p>
<p>Provides exemptions from provisions of PUHCA 1935 for exempt wholesale generators (“EWGs”), foreign utility companies (“FUCOs”) and exempt telecommunications companies. Secs. 32-34</p>	<p>Provides that EWGs and FUCOs have the same meaning as in PUHCA 1935. The 2005 Act may not provide for creation of new EWGs or FUCOs or exempt them from regulation under the 2005 Act unless they are in a holding company system that holds no public utilities other than QFs, EWGs and FUCOs. 2005 Act Sec. 1262(6). The FERC NOPR proposes to eliminate EWG and FUCO certification prospectively.</p>
<p>Section 3(c)(8) of the Investment Company Act of 1940 (“ICA”) exempts “any company subject to regulation under PUHCA 1935” from the definition of “investment company”, and therefore from regulation under the ICA.</p>	<p>The 2005 Act does not amend the ICA exemption to apply to holding companies subject to regulation under the 2005 Act. Holding companies will need to seek to qualify for another exemption under the ICA.</p>

Case UM-1209
PPL Exhibit 404
Witness: Patrick J. Goodman

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

PACIFICORP

Supplemental Direct Testimony of Patrick J. Goodman

October 2005

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Patrick J. Goodman, and my business address is 666 Grand Avenue,
4 Suite 2900, Des Moines, Iowa, 50309.

5 **Q. Are you the same Patrick J. Goodman who previously submitted prepared**
6 **direct and revised direct testimony in this docket?**

7 A. Yes, I am.

8 **Summary of Testimony**

9 **Q. What is the purpose of your supplemental direct testimony in this**
10 **proceeding?**

11 A. My supplemental direct testimony is intended to clarify questions that have been
12 raised in technical conferences and comments by interested persons regarding (1)
13 the measurement of the 10 basis point cost-of-debt reduction of Commitment 38,
14 and (2) the ability of MEHC and PacifiCorp to finance any environmental costs
15 associated with the re-licensing of hydro-electric facilities, including the Klamath
16 Project.

17 **Discussion**

18 **Q. Please discuss the measurement of MEHC's commitment to issue**
19 **incremental long-term debt of PacifiCorp at a cost 10 basis points below that**
20 **of similarly-rated peers.**

21 A. Concern has been expressed that this commitment by MEHC will be difficult to
22 verify, on the grounds that the choice of comparable companies may be
23 controversial and that it may be difficult for reviewing parties to get access to the

1 all-in cost of debt issuances. However, I believe further clarification of MEHC's
2 commitment may ease some of the concern.

3 Importantly, the burden of proof rests with PacifiCorp on this issue in a
4 rate proceeding. If a party to the rate proceeding is not convinced that, based on
5 the evidence presented by PacifiCorp, a 10 basis point or greater reduction has
6 been achieved in the incremental cost of long-term debt, as compared to similarly
7 rated peers, then that party can take the position in the rate proceeding that the
8 cost of these incremental debt issuances for ratemaking purposes should be
9 reduced by up to a maximum of 10 basis points from the cost that PacifiCorp
10 reports over the remainder of the five-year commitment period. If the
11 Commission concurs, then it can order that adjustment. The risk of failure to
12 provide sufficient evidence rests with PacifiCorp.

13 I would add that MEHC intends to have a third party prepare the analysis
14 for this commitment. The third party will gather information on all long-term
15 debt issuances of similarly rated public utility companies, excluding other MEHC
16 public utility subsidiaries, and make a calculation as to whether the 10 basis point
17 threshold has been met.

18 **Q. Please address the concern relating to the ability of PacifiCorp to finance the**
19 **re-licensing of PacifiCorp's hydro-electric projects across the Northwest.**

20 A. PacifiCorp is an investment grade public utility and assuming a reasonable
21 business climate and opportunity to attempt to earn its allowed rate of return then
22 MEHC is confident that PacifiCorp will be able to finance reasonable
23 requirements associated with all future hydro re-licensing.

1 **Q. Is MEHC supportive of PacifiCorp fulfilling its legal obligations related to**
2 **hydro re-licensing?**

3 A. Yes. MEHC is confident that the transaction will not diminish in any way
4 PacifiCorp's ability or willingness to perform its legal obligations associated with
5 the hydro-electric system.

6 **Q. Does this conclude your supplemental direct testimony?**

7 A. Yes, it does.

