Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission
550 Capitol St NE, Suite 215
Mailing Address: PO Box 2148
Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: (503) 378-6600
Administrative Services
(503) 373-7394

November 21, 2005

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UM 1209** - In the Matter of MIDAMERICAN ENERGY HOLDINGS COMPANY and PACIFICORP Application for Authorization to Acquire Pacific Power & Light, dba PacifiCorp.

Enclosed for filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony. This document is being filed by electronic mail with the PUC Filing Center. A confidential version is being sent via first-class mail to all parties that have signed the protective order. Exhibit 203, Dougherty, and Exhibit 302, Peng, are not available electronically.

/s/ Lois Meerdink

Lois Meerdink
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
(503) 378-8959
Email: Lois.Meerdink@state.or.us

cc: UM 1209 Service List - parties

PUBLIC UTILITY COMMISSION OF OREGON

UM 1209

STAFF DIRECT TESTIMONY OF

BRYAN CONWAY
MICHAEL DOUGHERTY
MING PENG
MAURY GALBRAITH
ED DURRENBERGER
CLARK JACKSON

In the Matter of MIDAMERICAN ENERGY HOLDINGS COMPANY and PACIFICORP Application for Authorization to Acquire Pacific Power & Light, dba PacifiCorp.

REDACTED VERSION

November 21, 2005

CASE: UM 1209
WITNESS: Bryan Conway

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 100

Direct Testimony

November 21, 2005

Table of Contents

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Bryan Conway. My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551. I am employed by the Public Utility Commission of Oregon (OPUC) as the Program Manager of the Economic and Policy Analysis Section in the Economic Research and Financial Analysis Division.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. My Witness Qualifications Statement is found on Exhibit Staff/101, Conway/1. In addition, I have completed all of the required and elective coursework for a Ph.D. in economics from Oregon State University. My fields of study were Industrial Organization and Applied Econometrics. I have testified before the Commission in UG 132, UE 115, UE 116, and have been the Summary Staff Witness in UP 158, UP 168, UP 165/170, UX 27, and UX 28.

Q. WHAT IS YOUR ROLE IN THIS DOCKET?

A. I am the Staff case manager in UM 1209. As the case manager, I am responsible for Staff's overall recommendation in this docket.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will present Staff’s summary recommendations and provide a historical overview. In addition, I will address issues surrounding the so-called benefits proffered by MidAmerican Energy Holdings Company (MEHC).

Q. HAVE YOU PREPARED ANY EXHIBITS?

A. Yes. I prepared Staff/101, consisting of one page and Staff/102, consisting of 53 pages.

Q. WHAT DOES THE UM 1209 DOCKET INVOLVE?

A. This docket is MEHC's application to acquire PacifiCorp, a subsidiary of ScottishPower.

Q. HOW IS THE STAFF TESTIMONY ORGANIZED?

A. Table 1 presents the Staff Exhibit numbers, major issues identified by Staff, as well as the Staff witnesses.

Table 1

Exhibit Number(s)	Description	Staff Person(s)
Staff/100	Summary Witness, Access to Information	Bryan Conway
Staff/200	Corporate overheads, Affiliated Interests, Cost Allocations, Access to Information	Michael Dougherty
Staff/300	Debt cost reduction	Ming Peng
Staff/400	LCPs, Transmission Infrastructure, Environmental Issues, Emissions	Maury Galbraith
Staff/500	Coal Costs, Coal-fired generation, acquisition costs	Ed Durrenberger
Staff/600	Customer Guarantees	Clark Jackson

Q. WHAT IS THE STAFF'S ROLE IN THIS DOCKET?

A. Staff's role in this docket is to review MEHC's application to determine if it meets the requirements of ORS 757.511. This statute requires the applicant to bear the burden of showing that granting the application will serve the public utility's customers in the public interest.

Q. WHAT DOES IT MEAN FOR THE APPLICATION TO BE IN THE PUBLIC INTEREST?

A. This Commission addressed the legal interpretation of the meaning of "will serve the public utility's customers in the public interest" in Order Number 01-778.[1] The Commission interpreted the meaning of "will serve the public utility's customers in the public interest" directive to require a two-step assessment of whether the proposed transaction will (1) provide a net benefit to the utility's customers, and (2) impose "no harm" to the public at large.

Q. HOW WAS THE ISSUE OF NET BENEFITS ADDRESSED IN PRIOR ACQUISITIONS?

A. Prior to Order Number 01-778, the Commission did not need to address the issue in the last three acquisition dockets. In the Enron acquisition of PGE, the ScottishPower acquisition of PacifiCorp, and the Sierra Pacific acquisition of PGE the issue of defining what is "in the public interest" was satisfied because the applicants ultimately demonstrated, to the

[1] *See* UM 1011, Legal standard for approval of mergers.

Commission's satisfaction, that the transactions could be expected to meet the more stringent net benefits standard.

Q. WHAT DOES MEHC OFFER TO PACIFICORP CUSTOMERS IN ITS APPLICATION?

A. MEHC states that it "intends to operate PacifiCorp in much the same way as it is currently being operated." MEHC further states, "the Commission will continue to exercise the same degree of regulatory oversight over PacifiCorp as it does today. The proposed transaction will result in no harm to PacifiCorp customers." *See* Joint Application at 16. Additionally, MEHC offers numerous commitments[2], but states that the "chief benefit from the proposed transaction is MEHC's willingness and ability to deploy capital to meet PacifiCorp's significant infrastructure needs. MEHC has focused on investments in the energy industry and is uniquely positioned to invest significant capital in the industry." *See* Joint Application at 19.

Q. WHAT DOES MEHC'S TESTIMONY IMPLY FOR THIS DOCKET?

A. Staff assumes that MEHC is proposing to show that its transaction results in sufficient economic benefits to PacifiCorp's customers to meet the higher of the two standards (net benefits to customers).

[2] Staff uses the terms commitments and conditions interchangeably throughout its testimony. Either term refers to requirements or agreements that mitigate harm or add benefit.

Summary Recommendation

Q. WHAT IS STAFF'S SUMMARY RECOMMENDATION?

A. Staff recommends that the Commission deny MEHC's application to acquire PacifiCorp. The application does not demonstrate net benefits to PacifiCorp's customers and will harm customers.

Q. IS THIS STAFF'S FINAL WORD IN THIS DOCKET?

A. No. Staff will review the testimony of other parties and the Applicant and PacifiCorp's rebuttal testimony, which is due on December 7, 2005. Also, there are settlement discussions scheduled for November 30, 2005, and December 2, 2005. Staff hopes that the MEHC will address and mitigate the concerns of Staff and other parties.

Q. WHAT ARE THE POSSIBLE STAFF RECOMMENDATIONS OR POSITIONS IN THIS CASE?

A. There are several possibilities. One possibility is that Staff and the Intervenors reach settlement with the Applicant on a set of conditions and support the acquisition. Alternatively, Staff could recommend the acquisition be denied and still propose conditions it believes are necessary to address harms and meet the requirement of net benefits, which MEHC or the other parties may dispute.

Q. WHY MIGHT STAFF RECOMMEND A SET OF CONDITIONS THAT SHOULD ACCOMPANY THE COMMISSION'S APPROVAL OF THE ACQUISITION?

A. Although the Commission, in Order 05-114, declined to issue a conditional order, the Commission may determine it wishes to do so in this case. Further, the set of conditions recommended by Staff may assist the Applicant and other parties, as well as the Commission, in analyzing and addressing the harm Staff and intervenors identify.

Q. WHAT ARE THE REMAINING SCHEDULED ACTIVITIES IN THIS DOCKET?

A. The remaining major events in this Docket are as follows:

November 30, 2005	Settlement Conference.
December 2, 2005	Settlement Conference.
December 7, 2005	Applicant and PacifiCorp Rebuttal.
December 30, 2005	Staff and Intervenor Surrebuttal
January 9, 2006	Applicant and PacifiCorp Sursurebuttal
January 13, 2006	Executive Summaries
January 18, 2006	Opening Presentations
January 19, 2006	Evidentiary Hearings Begin

Therefore, the schedule allows for more opportunities for parties to share concerns and resolve issues.

Q. WHAT ARE THE MAJOR TOPICS OR QUESTIONS ADDRESSED IN STAFF'S TESTIMONY?

A. In Staff/100, in addition to summarizing Staff's case, I discuss the proper comparator to use for analyzing net benefits and harm, commitments pertaining to financial issues, access to information, community involvement and economic development, corporate presence, maintaining PacifiCorp employee contracts and benefits, and goodwill. Additionally, I discuss the sufficiency of the application, MEHC's willingness to invest, and the statements regarding ScottishPower's corresponding reluctance to invest in cost-effective infrastructure.

In Staff/200, Staff Witness Michael Dougherty addresses MEHC's ability to acquire PacifiCorp without increasing costs for insurance and also raises concerns regarding the effect of cost allocations between MEHC and PacifiCorp.

In Staff/300, Staff Witness Ming Peng discusses MEHC's commitment regarding a 10 basis point differential in future PacifiCorp debt issuances from that issued by comparable companies.

In Staff/400, Staff Witness Maury Galbraith addresses MEHC's commitments to make infrastructure investments, emissions reductions, and other commitments related to integrated resource planning.

In Staff/500, Staff Witness James Durrenberger discusses MEHC's commitments regarding coal technologies and related environmental issues. Additionally, Mr. Durrenberger presents a review of the Commission's policy regarding acquisition costs, including goodwill.

In Staff/600, Staff Witness Clark Jackson discusses MEHC's commitment regarding customer guarantees and performance standards for PacifiCorp.

Review of MEHC's Proposed Conditions

Q. HAS STAFF REVIEWED MEHC'S PROPOSED CONDITIONS?

A. Yes. Staff has reviewed the conditions. Our review has led us to conclude that the MEHC proposed conditions fall into four categories. The categories are:

1. Conditions Staff supports in concept that are focused primarily on mitigating risks or providing benefits to PacifiCorp customers. Staff may have suggested language changes to some of the conditions.
2. Conditions supported by Staff that are focused primarily on the public generally. Staff may have suggested language changes to some of the conditions.
3. Conditions that Staff believes provide no value, restate current laws, are unworkable, are unlawful, create a harm, or otherwise restate current PacifiCorp commitments.
4. Conditions Staff finds reasonable but does not believe have an impact on the finding of net benefits. These conditions are also focused on providing protections for the Applicant and PacifiCorp.

Q. WHICH CONDITIONS PROPOSED BY MEHC FALL INTO CATEGORY 1?

A. As contained in PPL/309, these are conditions 3, 11, 13, 15, 16, 17, 18, 19, 22, 29, 30, 36, 41, 48, O1, and O2.

Q. WHICH CONDITIONS PROPOSED BY MEHC FALL INTO CATEGORY 2?

A. As contained in PPL/309, these are conditions 24, 25, 26, 27, 28, 43, and 44.

Q. WHICH CONDITIONS PROPOSED BY MEHC FALL INTO CATEGORY 3?

A. As contained in PPL/309, these are conditions 1, 2, 4, 5, 6, 7, 8, 9, 10, 12, 14, 20, 21, 23, 31, 32, 35, 37, 38, 39, 40, 42, 45, 46, 47, 49, 50, O3, O4, and O5.

Q. WHICH CONDITIONS PROPOSED BY MEHC FALL INTO CATEGORY 4?

A. As contained in PPL/309, these are conditions 33 and 34.

Q. HAVE YOU PREPARED AN EXHIBIT REGARDING THE CATEGORIES OF CONDITIONS?

A. Yes. Exhibit Staff/102, Conway/1-27, provides a table regarding the categories of conditions. The table includes a reference to the MEHC condition number, the wording as proposed by Staff, the basis for the categorization of the condition[3], and the Staff Witness responsible for the condition.

Q. DO YOU HAVE ANY OBSERVATIONS TO OFFER REGARDING THE FOUR CATEGORIES OF CONDITIONS?

A. Yes. Staff notes that a large number of the conditions MEHC proposes are being proposed in each of PacifiCorp's state jurisdictions. In Oregon,

[3] The summary statement or basis for the categorization is provided as a reference aid. The Staff Witness' testimony supporting the categorization takes precedence over the table should there be a conflict between the two.

where there are fairly broad statutory powers, many of the proposed conditions are duplicative of existing statutory authority and therefore are not necessary. The same might not be true in other states. On the other hand, Staff is also recommending rate credits as the clearest method of addressing the harms identified, to help ensure the transaction is expected to provide net benefits to customers.

Q. WHICH COMMITMENTS DO ADDRESS IN YOUR TESTIMONY?

A. I address MEHC commitments 11, 15, 18, 19, 20, 22, 23, 28, 29, 33, 34, 47, 50, O1, O2, and O4.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 11.

A. MEHC commits that any diversified holdings and investments (e.g., non-utility business or foreign utilities) of MEHC and PacifiCorp following approval of the transaction will be held in a separate company(ies) other than PacifiCorp, the entity for utility operations. Additionally, ring-fencing provisions (i.e., measures providing for separate financial and accounting treatment) will be provided for each of these diversified activities,

Q. DOES MEHC COMMITMENT 11 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. It is unclear what, if any, diversified holdings MEHC plans to acquire in the future, so it is difficult to determine what impact, if any, the holdings would have on PacifiCorp, if it were a subsidiary of PacifiCorp. However, this commitment does provide some protection from harms by prohibiting the creation of a PacifiCorp subsidiary for the purposes of holding the investment. The ring fencing provisions mentioned in this commitment carry little value until they are adequately specified up front. Because the holdings may be held under MEHC, there is a possibility of harm to MEHC's credit rating which could affect PacifiCorp.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 15.

A. MEHC commits to maintain PacifiCorp's current commitment with respect to maintaining separate debt and stock ratings.

Q. DOES MEHC COMMITMENT 15 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This does not provide an incremental value to customers because it is currently required of PacifiCorp and ScottishPower.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 18.

A. MEHC commits to provide all written information provided to credit rating agencies.

Q. DOES MEHC COMMITMENT 18 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. PacifiCorp is already required to provide this information to the Commission, upon request.

Q. DO YOU HAVE A RECOMMENDED CHANGE?

A. Yes. The condition should require both information provided by PacifiCorp and MEHC, as well as all information provided to PacifiCorp and MEHC by the rating agencies. This would clarify the condition and help maintain the status quo.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 19.

A. This commitment states that 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'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 commitment also states that 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.

Q. DOES MEHC COMMITMENT 19 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No, this commitment does not provide incremental value. PacifiCorp is already required to maintain this level of common equity. However, if the MEHC commitment was adopted as proposed, all else equal, customers would be harmed due to a likely downgrade in PacifiCorp's rating. This harm is discussed in detail on pages 34 through 37.

Q. DO YOU HAVE A RECOMMENDED CHANGE?

A. Yes. I recommend the following condition:

> PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below 48 percent of its total capital without Commission approval. 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 more than one year. PacifiCorp's preferred stock will be considered 50% debt and 50% common equity for purposes of determining the common equity capital. The parties may request

> that Commission reexamine this minimum common equity percentage as financial conditions or accounting standards change, and may request that it be adjusted.

Q. WHAT MODIFICATIONS DID YOU MAKE?

A. First, I clarified that the restriction refers to all dividends. Second, I increased the percentage of common equity to 48 percent but allowed for a portion of PacifiCorp's preferred stock to be considered as equity. Third, I corrected the definition of long-term debt to match that of financial analysts. And, finally, I modified the language so that any party to this proceeding (including Staff) may request the Commission reexamine the minimum equity percentage if financial conditions or accounting standards change.

Q. WHAT IMPACT DO YOUR MODIFICATIONS HAVE?

A. My modifications strengthen the condition and provide more protection for PacifiCorp and its customers than the proposed commitment.

Q. WHY DID YOU CHOOSE 48 PERCENT EQUITY?

A. As discussed in the Holding Company section of my testimony, Portland General Electric (PGE), which has a Commission-adopted 48 percent minimum common equity requirement, is considered sufficiently ring fenced by S&P. This allows S&P to assign a rating for PGE that is higher than its parent company. I have modified this commitment to mirror PGE's current commitment.

Q. IF MEHC WERE TO ADOPT THIS COMMITMENT, DOES THAT MEAN PACIFICORP WOULD BE ADEQUATELY RING FENCED?

A. No. Other provisions are likely necessary. S&P states that MEC is adequately ring fenced from MEHC, so the Applicant should explicitly commit to the ring fencing provisions in place for MEC in this docket. My revised minimum common equity commitment should be part of the ring fencing package.

Q. WOULD YOUR MODIFIED COMMON EQUITY CONDITION PROVIDE AN INCREMENTAL BENEFIT TO CUSTOMERS?

A. No, not in isolation. I discuss this topic more fully in the Holding Company section of my testimony.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 20.

A. MEHC commits that PacifiCorp's capital requirements will be given a high priority by the Board of Directors of MEHC and PacifiCorp.

Q. DOES MEHC COMMITMENT 20 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This commitment is unworkable because we will not be able to measure the degree of priority given by the Board of Directors.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 22.

A. MEHC commits that PacifiCorp will not seek a higher cost of capital due to MEHC's ownership.

Q. DOES MEHC COMMITMENT 22 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This is a commitment already required of PacifiCorp.

Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD?

A. Yes. This commitment likely only provides protections in the event of an extreme isolated event such as a bankruptcy. Because ratings agencies consider a host of issues when deciding to downgrade a rating, it is difficult to isolate one issue as the issue that "tipped the scale." However, if the event is extreme enough, such as in the case of a bankrupt parent, the effects of the bankrupt parent will overshadow the other effects. For this reason, Staff does not believe this commitment unequivocally provides protection to customers from the higher costs of debt associated with a ratings downgrade as discussed in my Holding Company section.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 23.

A. MEHC commits that PacifiCorp will not seek a higher revenue requirement due to MEHC's ownership.

Q. DOES MEHC COMMITMENT 23 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This commitment is not viewed as beneficial by Staff because the "comparator" against which we would judge revenue requirement impacts is too difficult to implement. For this reason, Staff assigns no benefit to the condition.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 27.

A. MEHC commits that PacifiCorp maintain its existing level o community-related contributions.

Q. DOES MEHC COMMITMENT 27 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This commitment merely continues PacifiCorp's current practice.

Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD?

A. Yes. It is unclear if MEHC intends for this to cap PacifiCorp's current level of contributions.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 28.

A. MEHC commits that PacifiCorp will consult with regional advisory boards to ensure local perspectives are heard regarding community issues.

Q. DOES MEHC COMMITMENT 28 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This commitment merely continues PacifiCorp's current practice.

Q. PLEASE SUMMARIZE MEHC COMMITMENTS 29 AND 30.

A. MEHC commits to honor existing labor contracts for all levels of PacifiCorp employees; as well as commits to not make any changes to employee benefit plans for a period of at least two years following the date of the Stock Purchase Agreement.

Q. DO MEHC COMMITMENTS 29 AND 30 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No.

Q. DOES MEHC COMMITMENTS 29 AND 30 ADDRESS A POTENTIAL HARM TO PACIFICORP'S OREGON CUSTOMERS?

A. Yes. These commitments do address a potential harm that arises as a result of this transaction. The commitments serve to reduce PacifiCorp employee uncertainty with regards to compensation issues thereby maintaining employee productivity and service to PacifiCorp's customers.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 33.

A. This commitment states that MEHC and PacifiCorp are not waiving their rights to request confidential treatment of information.

Q. DOES MEHC COMMITMENT 33 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. However, this commitment may provide some comfort to the Applicant.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 34.

A. This commitment describes a process MEHC and PacifiCorp wish the Commission to adopt in the event MEHC or PacifiCorp violate any of their commitments.

Q. DOES MEHC COMMITMENT 34 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. However, this commitment may provide some comfort to the Applicant. It outlines steps that would be required before the Commission would seek penalties under state laws.

Q. DO YOU HAVE A RECOMMENDED CHANGE?

A. Yes, I believe the following proposed condition provides a better process and specifically addresses conditions as well as commitments. My recommended modified commitment is as follows:

> If the Commission believes that MEHC and/or PacifiCorp have violated any of the conditions or commitments set forth herein, any conditions or commitments contained in other stipulations signed by MEHC and PacifiCorp, or any conditions or commitments imposed by the Commission in its final order approving the Application (collectively, the "Conditions"), then the Commission shall give MEHC and PacifiCorp written notice of the violation.
>
> a. If the violation is for failure to file any notice or report required by the Conditions, and if MEHC and/or PacifiCorp provide the notice or report to the Commission within ten business days of the receipt of the written notice, then the Commission shall take no action. MEHC or PacifiCorp may request, for cause, permission for extension of the ten-day period. For any other violation of the Conditions, the Commission must give MEHC and PacifiCorp written notice of the violation. If such failure is corrected within five business days of the written notice, then the Commission shall take no action. MEHC or PacifiCorp may request, for cause, permission for extension of the five-day period.
>
> b. If MEHC and/or PacifiCorp fail to file a notice or written report within the time permitted in subparagraph a. above, or if MEHC and/or PacifiCorp fail to cure, within the time permitted above, a violation that does not relate to the filing of a notice or report, then the Commission may open an investigation, with an opportunity for MEHC and/or PacifiCorp to request a hearing, to determine the number and seriousness of the violations. If the Commission determines after the investigation and hearing (if requested) that MEHC and/or PacifiCorp violated one or more of the Conditions, then the Commission shall issue an Order stating the level of penalty it will seek. MEHC and/or PacifiCorp, as appropriate, may appeal such an order under ORS 756.580. If the Commission's order is upheld on appeal, and the order imposes penalties under a statute that further requires the Commission to file a complaint in court, then the Commission may file a complaint in the appropriate court seeking the penalties specified in the order, and MEHC and/or PacifiCorp shall file a responsive pleading agreeing to pay the penalties. The Commission shall seek a penalty on only one of MEHC or PacifiCorp for the same violation.
>
> c. The Commission shall not be bound by subsection (a) in the event the Commission determines PacifiCorp has violated any of the material conditions, contained herein, more than two times within a rolling 24-month period.

d. PacifiCorp and/or MEHC shall have the opportunity to demonstrate to the Commission that subsection (c) should not apply on a case-by-case basis.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 47.

A. This commitment states that MEHC plans to continue PacifiCorp's existing economic development practices and lend MEHC's experience to the process.

Q. DOES MEHC COMMITMENT 47 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. It is continuing a current PacifiCorp practice and the impact, if any, of substituting MEHC's expertise for ScottishPower's expertise is unknown.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 50.

A. This commitment states that MEHC will file reports with the Commission regarding the progress of its commitments.

Q. DOES MEHC COMMITMENT 50 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. The Commission already has the authority to request this information. Further, failing to meet a commitment is more directly addressed by Staff's proposed commitment 34.

Q. PLEASE SUMMARIZE MEHC COMMITMENT O1.

A. This commitment re-states the current ScottishPower commitment regarding discovery disputes.

Q. DOES MEHC COMMITMENT O1 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This procedure is already in place.

Q. DO YOU HAVE A RECOMMENDED CHANGE?

A. Yes, I believe the following proposed condition provides a better process:

> In the event of a dispute between Commission Staff and MEHC or PacifiCorp regarding a Commission Staff request made pursuant to acquisition conditions or commitments, the parties agree that an Administrative Law Judge (ALJ) shall resolve the dispute as follows: (i) within ten (10) business days MEHC or PacifiCorp shall deliver to the ALJ the books and records responsive to Staff's request and shall indicate the basis for the objection; (ii) Staff may respond in writing and MEHC and/or PacifiCorp may reply; (iii) the ALJ shall review the documents in private; and (iv) the ALJ shall issue a ruling determining whether the documents (a) are reasonably calculated to lead to the discovery of relevant information, and, if so, (b) whether the documents should receive the protection requested. The ALJ shall use this standard whether or not Staff is making the request in connection with an open docket. Nothing in this provision shall affect the right of MEHC or PacifiCorp to request that the Commission treat the documents as exempt from disclosure to third parties under applicable law.

Q. PLEASE SUMMARIZE MEHC COMMITMENT O2.

A. This commitment states that PacifiCorp's headquarters will remain in Oregon.

Q. DOES MEHC COMMITMENT O2 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. This commitment currently exists.

Q. PLEASE SUMMARIZE MEHC COMMITMENT O4.

A. This commitment provides that MEHC and PacifiCorp will commit to an interpretation of ORS 757.480 that would not limit the Commission's ability to authorize a merger of another public utility with PacifiCorp, if the public utility provides service in Oregon.

Q. DOES MEHC COMMITMENT 04 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON CUSTOMERS?

A. No. The statue (specifically, ORS 757.480(c)) currently makes no mention of geographic restrictions.

<u>Discussion</u>
The Appropriate Comparator

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE APPROPRIATE COMPARATOR IN THIS CASE?

A. The appropriate comparator in this case is the continued prudent and well-managed operation of PacifiCorp. PacifiCorp, under ScottishPower, has maintained PacifiCorp's system; provides good customer service; and ready access to capital at relatively favorable rates; although it has at times, demonstrated an apparent desire to invest in infrastructure before it was necessary.

1. Infrastructure and Resource Investments

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE EFFECT OF THE ACQUISITION ON INFRASTRUCTURE AND RESOURCE INVESTMENTS?

A. Staff concludes that, in general, customers are better off if the regulated utility is willing and able to make cost-effective investments than if the regulated utility is unwilling or unable to make cost-effective investments. When utilities are not willing to invest in service, the outcome may be a reduction in service quality and a long-term increase in cost. While the Commission may intervene when service degrades, as was the case with Qwest, customers may view a rate reduction due to poor service a "second best" solution and prefer high quality service. Further, in the case of persistent underinvestment and corresponding disallowances the end result could be financial instability of the utility. Chronic financial instability or bankruptcy does not well serve customers or investors.

Q. DOES MEHC CLAIM TO BE WILLING AND ABLE TO INVEST IN COST-EFFECTIVE INFRASTRUCTURE?

A. Yes. MEHC states, the "chief benefit from the proposed transaction is MEHC's willingness and ability to deploy capital to meet PacifiCorp's significant infrastructure needs." *See* Joint Application at 19.

Q. IS INVESTMENT IN COST-EFFECTIVE INFRASTRUCTURE NEEDED IN THE NEAR FUTURE?

A. Yes. Staff Witness Maury Galbraith addresses this issue and concludes that, especially in the area of transmission infrastructure, additional investment is necessary.

Q. DO MEHC'S COMMITMENTS REQUIRE IT TO INVEST IN COST-EFFECTIVE INFRASTRUCTURE?

A. No. Staff Witness Maury Galbraith addresses this issue and demonstrates that MEHC has not committed to building, or investing in, any specific project. Further, it has not demonstrated any quantifiable benefit associated with any of the projects they discuss.

Q. HOW DOES MEHC REACH THE CONCLUSION THAT ITS WILLINGNESS TO INVEST IS THE CHIEF BENEFIT OF THE ACQUISITION?

A. In addition to claiming it would be a willing investor, MEHC further alleges that ScottishPower will be reluctant and slow to make investments. MEHC's claim is based on its allegation, not supported by evidence offered with the applications, that PacifiCorp does not meet ScottishPower's investors' expectations. *See* PPL/100, Abel/14, lines 2-4.

Q. DID MEHC QUANTIFY OR OTHERWISE ESTIMATE ITS "WILLINGNESS TO INVEST" BENEFIT?

A. No. MEHC clarifies that its chief benefit is that they are providing "greater certainty, because the ability and willingness of ScottishPower to make these investments was less certain." See PPL/100, Abel/14 lines 2-4. Mr. Abel continues at PPL/100, Abel 23, lines 17-19, "…MEHC's long-term ability and willingness to invest in energy infrastructure is significant and real but not readily capable of quantification."

Q. HAS MEHC OR ITS SUBSIDIARIES SHOWN A WILLINGNESS TO INVEST IN OTHER JURISDICTIONS?

A. Yes. MEC, a subsidiary of MEHC, appears to be willing to invest in Iowa, its largest state. However, this willingness to invest may be due to the Iowa Utilities Board's (IUB) pre-approval of rate base principles for the new investments. The Iowa pre-approval legislation was adopted in 2001 and it appears the intention was to encourage utilities to build new generation. The pre-approval legislation requires the IUB to adopt ratemaking principles prior to construction of new alternative energy, combined cycle, and base load facilities. Ratemaking principles include such things as return on equity and depreciable life.

Q. WHAT EVIDENCE DOES MEHC RELY UPON TO SUPPORT ITS ALLEGATION ABOUT SCOTTISHPOWER'S UNWILLINGNESS TO INVEST?

A. Mr. Abel concludes, at PPL/100, Abel 11 lines 21-23, that PacifiCorp does not meet ScottishPower's investors' expectations based upon "his conversations with representatives of Scottish Power plc." *See* Response to OPUC Data Request No. 3 attached as Staff/102, Conway/28.

Q. DOES SCOTTISHPOWER CONCLUDE THAT PACIFICORP NO LONGER MEETS SCOTTISHPOWER'S INVESTORS' EXPECTATIONS?

A. Yes. Although ScottishPower is committed "to run PacifiCorp, absent the transaction, prudently," ScottishPower believes MEHC "potentially has a more efficient approach to financing PacifiCorp's significant investment needs." *See* Response to OPUC Data Request No. 5, attached as Staff/102, Conway/29.

Q. DOES PACIFICORP HAVE ANY INTERNAL CORRESPONDENCE THAT SHOWS A REDUCTION IN A PACIFICORP CAPITAL BUDGET REQUEST?

A. No. It also was unable to provide any evidence, beyond press releases announcing the sale to MEHC, of ScottishPower's unwillingness to make cost-effective investments in PacifiCorp over the next 10 years. See Response to Staff Data Request 127 attached as Staff/102, Conway/30.

Q. DOES PACIFICORP CURRENTLY FACE SHORT-TERM INVESTOR PRESSURES?

A. It does not appear so. In Docket UE 170, PacifiCorp stated that Staff's assertion that "a high dividend payout requirement at ScottishPower resulted in increased demands for cash at PacifiCorp was "wholly unsupported." PacifiCorp replied that "ScottishPower accepted major reductions in dividend levels from levels PacifiCorp paid prior to the ScottishPower merger." (*See* PacifiCorp's UE 170 Opening Brief Page 19 lines 3-9.)

Q. DOES MEHC CURRENTLY FACE SHORT-TERM INVESTOR PRESSURES?

A. Yes. While MEHC claims it is "not subject to shareholder expectations of regular, quarterly dividends and relatively [sic] returns on investments." MEHC, at year end 2004, owed Berkshire Hathaway nearly $1.5 billion on which it is paying 11 percent interest. The following excerpt was taken from the 2004 Chairman's letter

> "At yearend, $1.478 billion of MidAmerican's junior debt was payable to Berkshire. This debt has allowed acquisitions to be financed without our partners needing to increase their already substantial investments in MidAmerican. By charging 11% interest, Berkshire is compensated fairly for putting up

> the funds needed for purchases, while our partners are spared dilution of their equity interests. Because MidAmerican made no large acquisitions last year, it paid down $100 million of what it owes us." *See* http://www.berkshirehathaway.com.

Since debt payments have a higher priority than dividend payments and debt payments are legally required to be paid, I view a significant amount of debt owed to a primary shareholder to be a greater short-term financial pressure than expectations of dividends.

Q. ARE THERE OTHER FACTORS THAT SUGGEST THAT MEHC MAY IMPOSE SHORT-TERM INVESTOR PRESSURES?

A. Yes. In its September 7, 2005, ratings announcement on MEHC, Standard & Poor's discusses liquidity issues. While stating that MEHC currently has adequate liquidity and access to capital to meet ongoing financial obligations, Standard & Poor's notes:

> "MEHC will need to maintain its access to capital markets, as it has some large maturities to fund in the coming years. Maturities at the parent over the next five years include trust-preferred redemptions of $189 million in 2005 and $234 million each year through 2009. MEHC will also have debt maturities of $260 million in September 2005, zero in 2006, $550 million in 2007, $1 billion in 2008, and zero in 2009."
> *See* Staff/102, Conway/36.

Q. STANDARD & POOR'S STATES THAT MEHC HAS ADEQUATE CASH ON HAND TO FUND THESE MATURITIES. IS THE FACT THAT MEHC HAS SOME LARGE MATURITIES TO FUND IN THE COMING YEARS STILL A CONCERN?

A. Yes. MEHC is committing to aggressive infrastructure investment at PacifiCorp over a time when it currently has large maturities to fund. Further, Staff has no assurances that MEHC is not planning to make other investments in utilities or businesses over the same time period. MEHC states that the price it paid for PacifiCorp "is fair for the value received, if PacifiCorp is able to earn its authorized return." *See* PPL/100, Abel/13. What would be the outcome if PacifiCorp were to have a poor earnings year in 2008 when MEHC has $1.234 billion of trust-preferred and debt maturities? These types of situations could give rise to the short-term investor pressures MEHC claims can be avoided by approving the transaction.

Q. HAS PACIFICORP OR SCOTTISHPOWER SHOWN A RELUCTANCE TO INVEST IN COST-EFFECTIVE INFRASTRUCTURE IN OREGON PROCEEDINGS?

A. No. Over the last two LCP dockets (LC 31 and LC 39), a point of contention has been PacifiCorp's apparent desire to invest in infrastructure *before* it was necessary. *See* Order No. 03-508.

Q. WHAT DO YOU CONCLUDE REGARDING MEHC'S CHIEF BENEFIT OF INCREASED WILLINGNESS TO INVEST?

A. While an increased willingness to invest may be beneficial to customers, there is no factual evidence to demonstrate that ScottishPower will act differently than it has in the past or that MEHC will be as willing to invest in Oregon as it has in Iowa given the different regulatory regimes. Further, while MEHC offers a commitment to invest in certain projects on an expedited fashion, PacifiCorp has shown a desire to invest in projects before they are needed. Staff, while conceding generally that a willing investor is superior to an unwilling investor, concludes that the proposal has not demonstrated any added value in this area.

2. Financial Stability

Effect of MEHC ownership on credit ratings and cost of debt

Q. HAS MEHC BEEN ABLE TO DEMONSTRATE A "TANGIBLE BENEFIT OF REDUCED COST OF LONG-TERM INCREMENTAL DEBT?"

A. No. Staff Witness Ming Peng addresses MEHC's commitment regarding up to a 10 basis point reduction in the incremental cost of long-term debt for PacifiCorp given the rates achieved by comparable companies. Ms. Peng concludes the commitment has a large inherent measurement error and, using a CreditWeek sample of A rated regulated utilities, that PacifiCorp appears to have been able to issue debt, under ScottishPower's ownership, at 30 to 50 basis points lower than comparable companies.

Q. DID YOU REVIEW ISSUES RELATED TO PACIFICORP'S COST OF DEBT?

A. Yes. I will compare and contrast bond ratings and debt costs under PacifiCorp under ScottishPower's ownership with MEC under MEHC's ownership.

Q. WHAT DO YOU CONCLUDE REGARDING A COMPARISON OF PACIFICORP AND MEC'S RATINGS?

A. Many factors go into a rating of a company as well as the spread it can obtain on debt issuances. One of the factors is the credit profile of the corporate family. Currently Standard & Poor's (S&P) assigns a BBB- corporate credit rating for MEHC and a A- corporate credit rating for MEHC's subsidiary, MidAmerican Energy Company (MEC). In its ratings release S&P explains some of the factors relating to MEC's A- credit rating:

> "MEC currently operates under a rate agreement approved by the Iowa Utilities Board (IUB) in 2001, 2003, and 2005, which Standard & Poor's views as very supportive of credit quality. MEC has agreed not to request a general increase in rates before 2012 unless its Iowa jurisdictional electric ROE falls below 10%. The Iowa Office of the Consumer Advocate has agreed not to request or support any rate decreases before Jan. 1, 2012. In addition, earnings exceeding an ROE of 12% through Dec. 31, 2005 and 11.75% for 2006 through 2011 will be shared with customers. (*See* Staff/102, Conway/37)

Still another factor affecting MEC's credit rating may be Iowa laws that allow for pre-approval of rate base principles for the new investments. This law requires the IUB to set critical components of a proposed generating plant in advance of the plant being built or used. For example, the return on equity and the depreciation life are required to be set prior to construction of a plant. This leads to increased certainty with respect to cost recovery and will help to increase ratings and lower spreads. Oregon does not have a law that requires the Commission to specify returns and depreciable life for new plant, or prior to a plant coming online.

All of these factors would likely be considered by an institution who is lending money to MEC and therefore MEC has not demonstrated that it enjoys any debt savings as contrasted with comparable companies that can be attributed to Berkshire Hathaway's ownership of MEHC.

Q. HOW DOES MEC'S REGULATORY FORMAT AND CREDIT RATING COMPARE TO PACIFICORP'S?

A. MEC's credit rating is benefited by an AFOR which provides for profit sharing when MEC earns equity returns greater than 12 percent and allows MEC to file a rate case if its return falls below 10 percent. In contrast, PacifiCorp's return on equity for Oregon-regulated purposes was recently set at 10 percent, and PacifiCorp does not have an excess earnings sharing mechanism in Oregon.

Finally, S&P has put PacifiCorp on credit watch negative due to weaker stand-alone credit metrics[4]. S&P states they will look at such things as ring fencing for resulting creditworthiness. *See* Joint Application Page 12.

---

[4] By "stand-alone credit metrics" I mean a company's (here, PacifiCorp) financial ratios assigned by the credit rating agencies without any consideration of the company's parent company (here, ScottishPower today, MEHC if the Commission approves its application).

Q. REGARDING PPL/400, GOODMAN/10, WHAT DO YOU CONCLUDE FROM MR. GOODMAN'S ANALYSIS OF PACIFICORP'S STAND-ALONE METRICS?

A. PacifiCorp currently benefits from a strong parent in ScottishPower. If the transaction closes and the resulting consolidated credit worthiness is less than that under ScottishPower and there is insufficient ring fencing, then the harm to PacifiCorp and its customers could be as high as Mr. Goodman estimates (from $26.7 to over $100 million). *See* PPL/400, Goodman/10.

<u>Effect of MEHC proposal on corporate overhead charges</u>

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE EFFECT OF THE ACQUISITION ON CORPORATE OVERHEAD CHARGES?

A. MEHC's proposal and its commitments do not benefit customers and likely will result in substantial financial harm. Staff Witness Michael Dougherty explains how the loss of ScottishPower's captive insurance (Dornoch) and the increased allocation of corporate overhead charges result in a net present value Oregon-allocated harm of approximately nearly $28 million in contrast to the estimated $30 million system-wide benefit claimed by MEHC.

3. Customer Service

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE EFFECT OF THE ACQUISITION ON CUSTOMER SERVICE?

A. The proposal, as it stands today, will have little effect on customer service in Oregon. Staff Witness Clark Jackson presents testimony on customer guarantees and the level of customer service PacifiCorp has maintained. Mr. Jackson concludes MEHC's offer to extend them provide little or no benefit to Oregon given the customer service guarantees also benefit the Company and the likelihood that PacifiCorp will continue to voluntarily extend them.

Q. WHAT CONCLUSIONS DID YOU REACH WITH REGARD TO SERVICE QUALITY MEASURES?

A. PacifiCorp is currently obligated to continue its Oregon safety and service quality measures through 2014. This PacifiCorp commitment came as a result of a settlement in UE 147. Staff is comfortable with the current commitment and is not seeking extensions or modifications to that agreement in this docket. As such, the acquisition provides no incremental value with respect to service quality.

4. Holding Company

Access to information in Oregon, especially in light of PUHCA repeal

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE EFFECT OF THE ACQUISITION ON ACCESS TO INFORMATION?

A. The acquisition would not diminish Staff's access to information needed to effectively regulate PacifiCorp. Staff Witness Michael Dougherty addresses this is more detail.

Effect of debt or acquisition premium on PacifiCorp's finances

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE EFFECT OF DEBT OR ACQUISITION PREMIUM ON PACIFICORP'S FINANCES?

A. Staff concludes that the effect of debt at MEHC would likely mean higher costs of capital for PacifiCorp.

Q. PLEASE EXPLAIN

A. MEHC is currently highly leveraged with nearly 78 percent long-term debt. Unaudited pro forma statements provided by the Applicant indicate that the effect of consolidating MEHC with PacifiCorp through this transaction[5] would be to lower the percentage of long-term debt to 71 percent. *See* PPL/400, Goodman/5. The effect of leverage at MEHC cannot be viewed as benefiting PacifiCorp's ratings by the ratings agencies.

[5] Several other assumptions are included such as dividend payments to ScottishPower, $500 million equity investment by ScottishPower, and expected earnings and debt retirements at PacifiCorp, MEHC, and MEHC's subsidiaries.

Q. WHAT RATING IS CURRENTLY ASSIGNED TO MEC'S DEBT?

A. MEC is currently rated A- by S&P and Fitch. It has a comparable A3 rating from Moody's. *See* Table 2 at PPL/Goodman/7

Q. WHAT RATING IS CURRENTLY ASSIGNED TO PACIFICORP'S DEBT?

A. PacifiCorp's senior secured debt is currently rated A- and its unsecured debt is rated BBB+ by S&P.

Q. IF MEC AND PACIFICORP HAVE SIMILAR RATINGS TODAY, WHY DO YOU BELIEVE PACIFICORP'S COST OF CAPITAL MAY RISE DUE TO THE TRANSACTION AS IT IS CURRENTLY PROPOSED?

A. I believe MEC and PacifiCorp are fundamentally different due to S&P's differing views of the ring fencing provisions in place for MEC and PacifiCorp.

Q. PLEASE EXPLAIN.

A. As part of my analysis, I called S&P and talked to the primary contacts for both PacifiCorp (Anne Selting) and MEC (Scott Taylor). S&P informed me that PacifiCorp's rating relies on its parent, ScottishPower. In contrast, S&P indicated that MEC is one of a few utilities it considers sufficiently ring fenced so that it can rely heavily on MEC's stand-alone credit worthiness. What this implies about MEC's and PacifiCorp's current rating by S&P is that MEC's credit rating is supported by its stand-alone credit metrics while PacifiCorp's rating is supported by ScottishPower's credit worthiness.

Q. DID S&P PROVIDE YOU WITH NAMES OF OTHER UTILITIES IT CONSIDERS TO BE SUFFICIENTLY RING FENCED?

A. Yes. Of note for this proceeding is that Portland General Electric, a subsidiary of Enron, was considered sufficiently ring fenced. PGE's ring fence allowed S&P to rate PGE's debt substantially higher than its parent's debt because it could rely upon PGE's stand-alone credit worthiness.

Q. WHAT DO YOU CONCLUDE ABOUT THE EFFECT OF MEHC'S DEBT ON PACIFICORP'S COST OF CAPITAL?

A. Absent sufficient ring fencing and other measures such as credit support (e.g., capital infusions), PacifiCorp will likely experience higher costs of debt due to a reduction in PacifiCorp's debt rating. Again, the amount of leverage at MEHC leads to MEHC's lower rating when compared to ScottishPower.

Q. WHY IS BOTH RING FENCING AND CREDIT SUPPORT REQUIRED TO ENSURE PACIFICORP'S RATING DOES NOT DROP?

A. Ring fencing will allow S&P to view PacifiCorp as it does MEC and rely on PacifiCorp's stand-alone credit metrics. Credit support appears necessary given S&P's statements regarding PacifiCorp's weaker stand-alone metrics as compared to MEC.

Q. WHAT DO YOU EXPECT TO OCCUR TO PACIFICORP'S CREDIT RATING IF THIS APPLICATION IS APPROVED AND CONTAINS SUFFICIENT RING FENCING PROVISIONS BUT DOES NOT CONTAIN SUFFICIENT CREDIT SUPPORT?

A. I would expect PacifiCorp's credit ratings to fall. I would not expect PacifiCorp to have the same credit ratings as MEC because MEC has stronger financial metrics than PacifiCorp and MEC operates under more favorable statutes and regulation. The credit downgrade may be preventable if MEHC provided credit support to PacifiCorp to improve its financial metrics (assuming sufficient ring fencing). Again, a reduction in PacifiCorp's credit rating could cause significant increases in PacifiCorp's cost of financing capital.

<u>Ability of OPUC to regulate Oregon portion of a multi-state utility</u>

Q. WHAT "OTHER EFFECTS" ARE POSSIBLE FROM THE TRANSACTION?

A. An acquisition with MEHC may alter the relationship PacifiCorp has with its regulators.

Q. WHY IS PACIFICORP'S RELATIONSHIP WITH ITS REGULATORS IMPORTANT?

A. Currently, PacifiCorp's bond ratings are favorably affected by good relations with its regulators. See S&P analysis attached as Conway/31. If this relationship were to deteriorate, financial harm could befall customers through increased cost of debt.

Q. DID STAFF UNDERTAKE EFFORTS TO EVALUATE MEC'S RELATIONSHIP WITH ITS REGULATORS?

A. Yes, I visited with and interviewed various staff of the regulators and consumer advocate groups in the states where MEC operates.

Q. WHAT DID YOU FIND?

A. I found, on balance, that MEC is likely viewed as PacifiCorp is viewed by regulators in Oregon. For the most part, MEC is viewed as straightforward and responsive to data requests, has a commitment to employee safety, and maintains good service quality throughout its service territory.

Q. DID ANYTHING FROM THE INTERVIEWS GIVE RISE TO A CONCERN IN THIS PROCEEDING?

A. Yes, it appears that there has been a long-standing disagreement with the Illinois Commission regarding Illinois law. Specifically, the disagreement arises from the selling of natural gas on a competitive basis within its traditional service area. The tone of the Order I reviewed (03-0659), as well as the Illinois Commission's conclusions, give rise to my concern.

Q. WHAT DID THE COMMISSION SAY THAT LED TO YOUR CONCERN?

A. On page 9 of the Order on Rehearing, the Commission's Conclusion begins,

> "Throughout its Initial Brief on Rehearing and Reply Brief on Rehearing, MEC disregards the scope of the rehearing and challenges conclusions in the May 11, 2004 Order that are not subject to reconsideration. Many of MEC's arguments on

> rehearing are based on the notion that its selling of natural gas on a competitive basis within its traditional service area through "competitive divisions" is a nonpublic utility business. This notion, however, has already been rejected by the Commission and is not within the scope of rehearing. MEC, as a gas public utility, can not avoid the law governing gas public utilities and Commission scrutiny of gas sales by simply calling some division of its public utility business "competitive" and selling gas through this newly named 'competitive division.'"
> *See* Staff/102, Conway/38-49 for a full copy of the Order.

Q. HAS THIS ISSUE BEEN RESOLVED?

A. In part. The Illinois legislature recently passed a law allowing MEC to sell natural gas within its service area. Although this law now allows the actions the Commission previously concluded were unlawful, there are different interpretations about whether the new law makes MEC's past actions legal. If the new law is not retroactive, the Illinois commission could order refunds to customers.

Q. WHAT CONCERN DOES THIS RAISE IN THIS PROCEEDING?

A. The issue before the Illinois proceeding appeared to me to be an example of the complications of running a multi-state utility. What is allowable in one state may not be in another. For example, Utah has pre-approval of plants while Oregon does not. Iowa is MEC's major jurisdiction just as Utah is now PacifiCorp's largest jurisdiction. As the Commission has seen through the MSP process, operating a six-state utility can be quite challenging. I am hopeful that MEHC can address the Illinois issue in its rebuttal testimony and explain how it plans to avoid these types of situations in Oregon.

5. Other Effects of the Proposed MEHC Transaction

Relocation of headquarters of personnel

Q. WHAT ARE STAFF'S CONCLUSIONS REGARDING THE RELOCATION OF HEADQUARTERS OF PERSONNEL?

A. Staff was unable to definitely conclude that harm would come from the announced limited relocation of personnel to Utah. However, Staff demonstrated that without an offsetting benefit such as more efficient operations at PacifiCorp, there would likely be a negative impact on local and state tax revenues, purchasing power, and civic involvement in Oregon. Staff Witness Mr. Dougherty addresses this issue more fully at Staff/200, Dougherty/41-42.

Q. PLEASE DISCUSS MEHC COMMITMENTS 29 AND 30.

A. In Commitment 29, MEHC agrees to honor existing labor contracts for all levels of PacifiCorp employees. With regards to Commitment 30, MEHC agrees to not make any changes to employee benefit plans for a period of at least two years following the date of the Stock Purchase Agreement.

Q. DOES MEHC COMMITMENTS 29 AND 30 ADDRESS A POTENTIAL HARM TO PACIFICORP'S OREGON CUSTOMERS?

A. Yes. These commitments do address a potential harm that arises as a result of this transaction. Assuming the transaction goes forward, it makes sense to presume that employee productivity would decrease if the employees were uncertain regarding their pay and benefits. Employees would be distracted from carrying out their duties by wondering how their work environment and benefits might change under a new owner. This condition addresses that potential harm by assuring that existing contracts will be honored and no changes in benefit plans would occur for at least two years.

Effect of Berkshire Hathaway's influence on PacifiCorp

Q. DOES MR. BUFFET HAVE THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER BERKSHIRE HATHAWAY?

A. Yes. Mr. Buffet is the majority owner of Berkshire Hathaway as well as the Chairman of the Board of Directors.

Q. DOES BERKSHIRE HATHAWAY HAVE THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER MEHC?

A. Yes. Berkshire Hathaway currently has 80.48 percent economic interest, 9.9% voting interest, the right to elect 20 percent of MEHC's Board of Directors, and requires MEHC to acquire Berkshire Hathaway's approval for certain transactions. An excerpt from Berkshire Hathaway's home page explains that the inequality between Berkshire Hathaway's voting interest and Berkshire Hathaway's economic interest was primarily due to PUHCA and Berkshire Hathaway's desire to avoid being registered as a holding company. See Staff/102, Conway/51. Additionally, the application states that Berkshire Hathaway would take actions to reconcile the difference between its voting rights and its economic rights once PUHCA has been repealed. PUHCA has been repealed effective February 1, 2006.

Q. DOES WALTER SCOTT HAVE THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER MEHC?

A. Yes. Walter Scott currently has 15.89 percent economic interest and 88.1% voting interest in MEHC.

Q. WOULD MEHC HAVE THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER PACIFICORP IF THE TRANSACTION CLOSES?

A. Absolutely. Mr. Abel, who sponsors testimony on behalf of MEHC will serve as the chairman of PacifiCorp's Board of Directors. *See* PPL/100, Abel/2, line 13.

Q. WOULD BERKSHIRE HATHAWAY'S AND WALTER SCOTT'S POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER MEHC TRANSLATE INTO THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER PACIFICORP IF THE TRANSACTION CLOSES?

A. Yes. As it stands today, Mr. Abel will have a fiduciary responsibility to PacifiCorp's shareholder, MEHC. In addition, as president and chief operating officer of MEHC, Mr. Abel will have a fiduciary responsibility to MEHC's shareholders, of which Berkshire Hathaway has the largest economic interest while Mr. Scott has the largest voting interest. I do not see how one could conclude that Berkshire Hathaway and Walter Scott will not have substantial influence over PacifiCorp.

Q. WOULD MR. BUFFET'S POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER BERKSHIRE HATHAWAY TRANSLATE INTO THE POWER TO EXERCISE SUBSTANTIAL INFLUENCE OVER PACIFICORP, IF THE TRANSACTION CLOSES?

A. Yes. As illustrated in a recent Wall Street Journal Article, Mr. Buffet typically employs a "hands-off approach." In fact, Mr. Buffet states that he "delegates to the point of abdication." However, the article also states that, "[o]n occasion, problems of such severity arise that Mr. Buffet abandons his hands-off approach." See Staff/102, Conway/53.

Q. DOES THE APPLICANT DISCUSS BERKSHIRE HATHAWAY'S INFLUENCE OVER PACIFICORP?

A. Yes. The Applicant assert benefits of the influence such as lower spreads on debt issuances and a requirement that PacifiCorp act consistently with MEHC and its other business platforms on matters of national importance. *See* PPL/100, Abel/24 line 21 through Abel/25 line 1.

Q. ARE BERKSHIRE HATHAWAY, WARREN BUFFET AND WALTER SCOTT APPLICANTS IN THE PRESENT PROCEEDING?

A. No, not as of November 18, 2005.

Q. WHAT IS YOUR OPINION ABOUT WHETHER BERKSHIRE HATHAWAY, WARREN BUFFET AND WALTER SCOTT SHOULD BE APPLICANTS IN THIS PROCEEDING?

A. While this question involves a matter of law and fact, and I am not a lawyer, Berkshire Hathaway, Warren Buffet, and Walter Scott should all be applicants in this proceeding. Staff is consulting with its lawyers to decide how to best bring this issue before the Commission for a timely resolution.

Conclusion

Q. WHAT HAS STAFF CONCLUDED REGARDING MEHC'S APPLICATION TO ACQUIRE PACIFICORP?

A. Staff has concluded that the proposal, as it stands today, falls short of demonstrating net benefits for customers. The acquisition presents several clear and quantifiable harms such as increased insurance costs, increased overhead charges, and potential increases in the cost of debt, should ring fencing provisions, credit support, and MEHC's consolidated credit worthiness prove insufficient. These harms and other harms raised by the Intervenors should be addressed through a combination of additional commitments including rate credits.

Q. WHY DO YOU MENTION THE REMEDY OF RATE CREDITS WHEN MEHC HAS NOT OFFERED ANY TO DATE?

A. Rate credits offer the clearest method of addressing the harms identified.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Bryan Conway

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 101

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME: Bryan A. Conway

EMPLOYER: Public Utility Commission of Oregon

TITLE: Program Manager, Economic & Policy Analysis Section

ADDRESS: 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2115.

EDUCATION: B.S. University of Oregon, Eugene, Oregon
Major: Economics; 1991

M.S. Oregon State University, Corvallis, Oregon
Major: Economics; 1994

In addition, I have completed all of the required and elective coursework for a Ph.D. in economics from Oregon State University. My fields of study were Industrial Organization and Applied Econometrics.

EXPERIENCE: Starting in October 1998, I have been employed by the Public Utility Commission of Oregon. I am currently the Program Manager of the Economic & Policy Analysis Section. My responsibilities include leading research and providing technical support on a wide range of policy issues for electric, telecommunications, and gas utilities. I have testified before the Commission on policy and technical issues in UG 132, UE 115, UE 116, UE 170 and have been the Summary Staff Witness in UP 158, UP 168, UP 165/170, UX 27, UX 28, UM 967, UM 1041, UM 1045, UM 1121, UM 1206.

From December 1994 to October 1998, I worked for the Oregon Employment Department as a Research Analyst in their Research Section. Duties included leading research projects on various policy issues involving labor economics and information systems.

OTHER EXPERIENCE: I am currently a faculty member of the University of Phoenix teaching economics.

From January 1998 through September 2000, I was a part time instructor at Linn-Benton Community College teaching principles of economics.

From July 1992 through June 1994, I was a graduate teaching assistant at Oregon State University teaching introductory principles of economics.

CASE: UM 1209
WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 200

Direct Testimony

November 21, 2005

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Michael Dougherty. I am employed by the Public Utility Commission of Oregon as Program Manager, Corporate Analysis and Water Regulation section of the Utility Program. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My Witness Qualification Statement is found in Exhibit Staff/201.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to discuss corporate overhead costs, Intercompany Administrative Services Agreement (IASA), Cost Allocations, Affiliated Interest Issues, MidAmerican Energy Holdings Company (MEHC) and PacifiCorp's Utah specific commitments, and MEHC's adoption of certain ScottishPower prior commitments.

Q. DID YOU PREPARE EXHIBITS FOR THIS DOCKET?

A. Yes. I prepared Exhibit Staff/202 and Exhibit Staff/203.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized as follows:

ISSUE 1, CORPORATE OVERHEAD CHARGES

Q. PLEASE SUMMARIZE MEHC'S POSITION ON CORPORATE OVERHEAD COSTS.

A. According to MEHC, a benefit of the transaction would be "at least a $30 million reduction (over five years) in corporate overhead costs."[1] This alleged savings is based on a comparison between projected costs of shared services that MEHC plans to provide and costs of services currently being provided to PacifiCorp by ScottishPower.

Q. PLEASE DESCRIBE THE SHARED CORPORATE SERVICES THAT MEHC INTENDS TO PROVIDE TO PACIFICORP.

A. The services that MEHC intends to provide include strategic management, coordination and corporate governance services including board of directors support, strategic planning, financial planning and analysis, insurance, environmental compliance, financial reporting, human resources, legal, tax, accounting, and other administrative services.[2]

Q. HOW DO THESE SERVICES COMPARE TO CORPORATE SERVICES CURRENTLY PROVIDED BY SCOTTISHPOWER?

A. Proposed ownership by MEHC would result in similar oversight responsibilities currently provided by ScottishPower, and approved by the Commission in Order No. 03-726, dated December 12, 2003. Services provided by ScottishPower to PacifiCorp include: legal, government and corporate affairs,

[1] UM 1209, Direct Testimony and Exhibits, PPL/100; Abel/5.
[2] UM 1209, Direct Testimony and Exhibits, PPL/500; Specketer/3.

tax, financial, risk management, human resources, environmental, and other services to PacifiCorp.[3]

Q. IN ADDITION TO THE SHARED SERVICES THAT MEHC PLANS TO PROVIDE, WILL PACIFICORP RECEIVE SERVICES FROM ANOTHER MEHC AFFILIATE THAT ARE ALSO A BASIS OF THE MEHC CORPORATE OVERHEAD CHARGES?

A. Yes. MidAmerican Energy Company (MEC) will provide budgeting and forecasting, human resources, and tax compliance services to PacifiCorp.[4]

Q. ARE THESE MEC SPECIFIC SERVICES CURRENTLY BEING PROVIDED BY SCOTTISHPOWER?

A. ScottishPower is providing similar services proposed by MEHC. However, Mr. Specketer's testimony does not specifically differentiate between the human resource services, tax, budgeting and forecasting services that will be provided by MEHC, as compared to the same services provided by MEC.

Q. PLEASE EXPLAIN THE BASIS OF MEHC'S CONCLUSION THAT THERE WOULD BE A SAVINGS OF APPROXIMATELY $6 MILLION PER YEAR IN CORPORATE OVERHEAD COSTS.

A. MEHC states that it will limit corporate charges to PacifiCorp from MEHC and MEC to not exceed $9 million annually for a period of five years after the closing of the transaction.[5] MEHC then compares this limit of $9 million per year to Scottish Power's projected fiscal year 2006 net cross-charges of

[3] Staff Memo, UI 221, dated November 18, 2003, page 2.
[4] UM 1209, Direct Testimony and Exhibits, PPL/500; Specketer/4.
[5] UM 1209, Direct Testimony and Exhibits, Joint application, page 9.

$15 million per year. MEHC simply subtracts $9 million per year from $15 million per year resulting in a projected savings of $6 million per year. According to MEHC, the savings would be approximately $30 million over a five-year period.

Q. IS THIS PROJECTED SAVINGS OF $6 MILLION PER YEAR SYSTEM-WIDE OR OREGON-ALLOCATED?

A. This projected savings is a system-wide amount. Using the PacifiCorp UE 170 Oregon allocation of .294462, the projected savings for Oregon would be approximately $1.77 million per year, or $8.83 million over the five-year period.

Q. DO YOU AGREE WITH MEHC'S ANALYSIS?

A. No. MEHC assumes that the $15 million ScottishPower net cross-charge is currently the amount in rates. Under Commission Order No. 05-1050, the recent OPUC UE 170 rate order, the ScottishPower charge to PacifiCorp is $11.7 million per year, not $15 million per year.

Q. PLEASE EXPLAIN.

A. In the UE 170 Partial Stipulation filed on May 4, 2005, which was signed by Staff, PacifiCorp, Citizen's Utility Board (CUB), Industrial Consumers of Northwest Utilities (ICNU), and Fred Meyer, the parties agreed to a reduction of $6.123 million (Oregon-allocated) in non-labor administrative and general costs. Included in Staff's analysis of this adjustment was a reduction in ScottishPower charges of $15.66 million included in PacifiCorp's test year costs[6] to Staff's recommended level of $11.7 million. This amount was

---

[6] UE 170, PPL Exhibit 801; Weston/4.15.

calculated based on initial and supplemental information received from PacifiCorp during UE 170.

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN MEHC'S NET CROSS-CHARGE AMOUNT OF $15 MILLION AND THE APPROXIMATELY $15.66 MILLION COST THAT PACIFICORP FILED IN UE 170.

A. MEHC uses the net[7] cross-charge amount, which would include costs charged to ScottishPower from PacifiCorp.[8] According to PacifiCorp's Fiscal Year 2005 Annual Affiliated Interest Report, dated September 30, 2005, PacifiCorp cross-charged ScottishPower approximately $2.90 million in labor costs and group corporate recharges.[9] Additionally, according to PacifiCorp's Fiscal Year 2004 Annual Affiliated Interest Report, dated September 30, 2004, PacifiCorp cross-charged ScottishPower approximately $720 thousand in labor costs.[10] Based on this data, it appears that MEHC netted the $15.66 million ScottishPower charges submitted by PacifiCorp in UE 170, and the $720 thousand PacifiCorp charges ScottishPower in fiscal year 2004 to reach the $15 million amount stated in MEHC's testimony. The difference between the $15 million amount stated by MEHC and the $11.7 million amount that resulted from Staff's UE 170 analysis is $3.3 million. These are system wide-numbers.

Q. SO DID MEHC OVERSTATE THE ESTIMATED AMOUNT OF THE SCOTTISHPOWER NET CROSS-CHARGE?

---

[7] According to the American Heritage Dictionary, Second College Edition, net is "Remaining after all deductions and adjustments are made."

[8] PacifiCorp in its UI 221 Application, Commission Order No. 03-726, dated December 12, 2003, estimated that the annual cross charges to ScottishPower by PacifiCorp would be under $2 million annually.

[9] PacifiCorp's FY 2005 Annual Affiliated Interest Report, September 30, 2005.

[10] PacifiCorp's FY 2004 Annual Affiliated Interest Report, September 30, 2004.

A. Yes. This amount is overstated. MEHC's original application was filed July 2005. PacifiCorp's 2005 fiscal year ended March 31, 2005, and the Partial Stipulation was dated May 4, 2005. Because of the dates, MEHC had access to actual amounts that should have been included in its calculation of net cross-charges. By not using the most complete and up to date information, MEHC is overestimating the "savings."

Q. SO WHAT IS THE APPROXIMATE FISCAL YEAR 2006 SCOTTISHPOWER NET CROSS-CHARGE?

A. The approximate fiscal year 2006 net cross-charge would be $8.8 million. This amount is based on the most recent available data, and is received by subtracting $2.90 million (PacifiCorp fiscal year 2005 cross-charge to ScottishPower) from the $11.7 million (ScottishPower cross-charge amount in UE 170), which equals $8.8 million.

Q. SO WHAT IS THE ACTUAL PROJECTED SAVINGS?

A. There are no savings. The system-wide <u>cost</u> is $194 thousand per year, which equals $1.94 million over a ten-year period. The Oregon-allocated <u>cost</u> is $57 thousand per year, which equals $572 thousand over a ten-year period. Staff Exhibit/202, page 1, illustrates the recalculated cross-charge costs to Oregon customers.

Q. IF MEHC IS USING A FIVE-YEAR SNAPSHOT OF SAVINGS, WHY DID YOU EXTEND THE COSTS OUT TO A TEN-YEAR PERIOD?

A. I extended out the costs to a ten-year period because MEHC states:

> "MEHC and its primary investor, Berkshire Hathaway, acquire a business with the intention of holding and investing in the business for the long term, where such investments are fair to customers, employees and shareholders."[11]

In addition, MEHC also states:

> "MEHC shareholders expect to own PacifiCorp for a long time."[12]

Because MEHC plans to hold PacifiCorp as a long-term investment, and because there is a cost to this ownership, a ten-year analysis is necessary to understand the full cost effect concerning corporate overhead costs.

Q. BASED ON YOUR ANALYSIS CONCERNING COSTS ASSOCIATED WITH SHARED SERVICES, IS THERE A COST TO OREGON CUSTOMERS FOR THIS SPECIFIC MEHC COMMITMENT?

A. Yes, there is a cost of $572 thousand over a ten-year period to Oregon customers for corporate overhead costs. Clearly there is no projected or guaranteed benefit.

Q. THIS AMOUNT IS RELATIVELY SMALL. ARE THERE ANY OTHER FACTORS THAT WOULD AFFECT APPROXIMATE SAVINGS OR COSTS?

A. Yes. There are three major factors that can greatly affect the actual costs to PacifiCorp's Oregon customers. First, because not all PacifiCorp affiliates (i.e., PPM Energy)[13] are part of the MEHC transaction, the management fee

[11] UM 1209, Direct Testimony and Exhibits, page 7.
[12] UM 1209, Direct Testimony and Exhibits, PPL/100; Abel 13.
[13] According to PacifiCorp's response to Staff Data Request No. 53, the only affiliate remaining with PacifiCorp that is allocated the management fee is PacifiCorp Environmental Remediation Company (PERCO).

allocation for electric operations will increase from the UE 170 projected fiscal year 2006 allocation of 92.74 percent[14] to 99.85 percent after the transaction.[15] Second, PacifiCorp currently bills affiliates for labor and other services performed by PacifiCorp staff. The ability to bill affiliates spreads out PacifiCorp's administrative and general costs between multiple entities, resulting in lower costs to PacifiCorp's Oregon customers. Third, there is no indication that the services provided by MEC are a duplication of services currently being performed internally by PacifiCorp or a duplication of services planned to be undertaken by MEHC, or both.

Q. PLEASE EXPLAIN THE MANAGEMENT FEE.

A. The management fee is the corporate group expenses (overhead) that PacifiCorp allocates to its electric operations and certain affiliates based on a three-factor formula. The three-factor is allocated based on each entity's revenues, payroll, and assets, each weighed equally.

Q. HOW WOULD THE CHANGE IN MANAGEMENT FEES AFFECT OREGON CUSTOMERS?

A. According to PacifiCorp's Fiscal Year 2005 Affiliated Interest Report, $20.03 million of the total management fee of $21.6 million was allocated to electric operations.[16] When applying the 99.85 percent post-MEHC transaction to total management fee costs, the electric operations allocation would increase to $21.57 million. This is a system-wide increase of $1.54 million

[14] According to PacifiCorp's Fiscal Year 2005 Affiliated Interest Report, the actual allocation to electric operations in fiscal year 2005 was 93.49 percent.
[15] PacifiCorp's response to UM 1209/PacifiCorp Staff Data Request No. 53.
[16] PacifiCorp's Fiscal Year 2005 Affiliated Interest Report, Section VII.

($451 thousand, Oregon-allocated), which would be absorbed by Oregon customers. Over a ten-year period, this is a $15.4 million ($4.51 million, Oregon-allocated) increase in management fees. This increase in management fees is a cost to Oregon customers.

Q. THE MANAGEMENT FEE IS IN RATES AS A RESULT OF UE 170, SO CUSTOMERS WOULD NOT HAVE TO ABSORB *ADDITIONAL* MANAGEMENT FEE COSTS UNLESS PACIFICORP FILES FOR A RATE INCREASE AND THE COMMISSION AGREES TO INCLUDE THE ADDITIONAL FEE IN RATES, CORRECT?

A. Yes, if PacifiCorp does not file a rate case within the next ten years, then customers would be unaffected by this percent increase in the management fee allocation. However, in the past five years, PacifiCorp has filed three requests for a general rate increase (UE 116, UE 147, and UE 170).

Q. SO YOUR ANALYSIS CONCLUDES, GIVEN CURRENT INFORMATION, THERE IS A COST TO OREGON CUSTOMERS BASED ON THE MANAGEMENT FEE IF PACIFICORP REQUESTS A GENERAL RATE INCREASE AND THE COMMISSION AGREES TO INCLUDE THE INCREASE IN RATES?

A. Yes. The potential <u>cost</u> to Oregon customers would be approximately $451 thousand per year. Over a ten-year period, this <u>cost</u> to Oregon customers would equal approximately $4.51 million. Clearly there is no projected or guaranteed benefit.

Q. PLEASE EXPLAIN THE PAYMENTS FROM AFFILIATES FOR SERVICES PROVIDED BY PACIFICORP.

A. In addition to services provided to ScottishPower, PacifiCorp also performs numerous services for other affiliates that are not part of the MEHC transaction. These affiliates include: PacifiCorp Holdings, PacifiCorp Group Holdings, PPM Energy, Pacific Klamath Energy, PacifiCorp Financial Services, PacifiCorp Energy Canada, and Enstor Operating Company. Services provided include labor, Information Technology (IT) allocations, IT service allocations, PC supporting services, shared services charge backs, and facility services. The approximate Fiscal Year 2005 payments for these services (minus the management fee already discussed) are $7.93 million.[17]

Q. CAN YOU PROVIDE A TABLE THAT SHOWS THE PAYMENTS PACIFICORP RECEIVED FROM AFFILIATES FOR SERVICES THAT IT PROVIDED?

A. Yes. The following table shows the fiscal year 2005 payments for services that PacifiCorp received from affiliates. The amounts listed exclude the management fee previously discussed and are taken from PacifiCorp's Fiscal Year 2005 Annual Affiliated Interest Report.

Table 1 – Affiliate Charges

Affiliate	**Amount**
PacifiCorp Holdings	$317,111
PacifiCorp Group Holdings	$99,650
PPM Energy (Net)	$6,911,416
Pacific Klamath Energy	$178,416
PacifiCorp Financial Services	$147,260

[17] PacifiCorp's FY 2005 Annual Affiliated Interest Report.

Affiliate	Amount
PacifiCorp Energy Canada	$83,848
Enstor Operating Company	$192,964
Total	**$7,930,665**

Q. BECAUSE FUNDS ARE RECEIVED FROM AFFILIATES FOR THESE SERVICES AND DO NOT CURRENTLY RESULT IN COST TO CUSTOMERS, WHY IS THERE A COST ISSUE WITH THESE SERVICES?

A. These payments from affiliates could become a cost to customers if PacifiCorp requests a general rate increase. These affiliates are not part of the acquisition, so there will be fewer entities to spread the stated administrative costs to, which would increase costs to Oregon customers.

According to page 9 of the Application, MEHC states, "There are no plans for a reduction in workforce as a result of this transaction."[18] Additionally, PacifiCorp also states that it has no plans to establish any affiliates or subsidiaries to undertake new business ventures, or undertake any business activities of ScottishPower affiliates.[19] Because there are no planned workforce reductions or no new affiliates, there will no longer be other entities to absorb these labor and services costs if, and when, PacifiCorp requests a general rate case. So although customers will not initially pay increased overhead costs associated with these services, customers will have to absorb these costs if PacifiCorp requests a general rate increase in the next ten years.

Q. WHAT IS THE MAXIMUM COSTS OVER A TEN-YEAR PERIOD TO OREGON CUSTOMERS FOR THESE SERVICES?

[18] UM 1209 MEHC Direct Testimony and Exhibits, page 9.
[19] PacifiCorp's response to UM 1209/PacifiCorp Staff Data Requests Nos. 74 and 75.

A. Because PacifiCorp received $7.93 million in payments for these services in fiscal year 2005, the Oregon-allocated portion of these costs would be approximately $2.34 million per year. Over a ten-year period, Oregon customers may be required to absorb up to an additional $23.4 million in overhead costs depending on the timing of PacifiCorp general rate cases.

Q. PLEASE EXPLAIN YOUR CONCERN OVER A POSSIBLE DUPLICATION OF SERVICES.

A. Because of the lack of specificity in the MEHC application, there is no assurance that any or all of the services performed by MEC are not a duplication of services that are projected to be provided by MEHC, or that PacifiCorp does not already undertake these services on its own behalf.

Q. DOES MEHC EXPLAIN WHY PACIFICORP NEEDS MEC TO PROVIDE BUDGETING AND FORECASTING, HUMAN RESOURCES, AND TAX COMPLIANCE SERVICES?

A. No. Although MEHC states that these services would be provided by MEC for MEHC; MEHC does not explain why PacifiCorp is not capable of performing these services to MEHC. MEHC does state that PacifiCorp will be a separate business platform:

> "with its own business plan, its own management, its own state policies, and responsibility for making decisions that achieve the objectives identified in the testimony of MEHC witness Abel (i.e., customer satisfaction, reliable service, employee safety, environmental stewardship, and regulatory/ legislative credibility)."[20]

[20] UM 1209, Joint Application, Direct Testimony and Exhibits, page 16.

MEHC also states in its application that, "MEHC plans to operate PacifiCorp much as it is operated today."[21] It is also interesting to note that PacifiCorp has experienced staff that currently performs budgeting and forecasting, human resources, and tax compliance under the ScottishPower umbrella. So if MEHC plans to operate PacifiCorp much as it operates today, PacifiCorp could perform these functions for MEHC.

Q. IF MEC PERFORMS THESE FUNCTIONS WILL PACIFICORP UNDERGO A WORKFORCE REDUCTION IN THESE AREAS OR EXPERIENCE ANY OTHER COST SAVINGS?

A. Not according to responses to data requests. As previously mentioned, PacifiCorp is not planning on any workforce reductions. PacifiCorp's fiscal year 2005 full-time equivalent (FTE) count for these groups is 114.[22] In addition, PacifiCorp states that,

> "MEC charges for the functions described are not expected to result in cost savings for such functions at PacifiCorp. MEC charges for budgeting and forecasting, human resources, tax compliance, etc., are for coordination efforts on behalf of MEHC."[23]

Q. ARE PACIFICORP'S 114 FTE'S CAPABLE OF PERFORMING THESE FUNCTIONS THAT MEC PLANS TO PROVIDE?

A. Yes. In previous dealings with PacifiCorp, I have had a favorable impression of the level of professionalism and knowledge of PacifiCorp administrative and financial staff.

---

[21] UM 1209, Joint Application, Direct Testimony and Exhibits, page 8.
[22] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 76.
[23] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 60.

Q. HOW DO THE COSTS OF THESE SERVICES PROVIDED BY MEC COMPARE TO SIMILAR SERVICES PROVIDED BY SCOTTISHPOWER?

A. They are high compared to similar services provided by ScottishPower. The following table, taken from information submitted in PacifiCorp's UI 221 application, breaks down shared services costs allocated to PacifiCorp:[24]

Table 2 – UI 221 Proposed and Proforma Costs of Tax and HR Services

Service	UI 221 Unadjusted Cost	Proforma Cost*
Group Tax	$467,176	$233,588
Human Resources[25]	$1,633,760	$816,880
Budgeting[26]	Not specified	Not specified
Forecasting[27]	Not specified	Not specified
Total	**$2,100,936**	**$1,050,468**

* = *Assumes same level of adjustment as cross charge in UE 170*

The MEC proposed cost is $3.65 million, which is a 74 percent increase from the $2.1 million in costs outlined in PacifiCorp's UI 221 Application. It is also interesting to note the ScottishPower costs were based on the original projected total cross-charge of $24 million.[28] This level of cost was never achieved since PacifiCorp submitted a cost of $15.66 million in UE 170, which Staff reduced to $11.7 million. Staff's UE 170 analysis of ScottishPower cross-charges is approximately one-half of the projected cross-charge reported in

[24] UI 221, Application of PacifiCorp, dated October 1, 2003, Exhibit No. 3.
[25] Per the UI 221 Application, Human Resources include HR Safety, HR Management, HR Employee Relations, HR Management Development, HR Health & Safety Director, and Compensation and Benefits.
[26] ScottishPower provides Performance Management & Control services that include a budget component. However, Staff did not include these costs because the description of services under Performance Management & Control more closely aligns itself to services proposed to be performed by MEHC; and PacifiCorp's current budgeting process as detailed in Staff Audit Report of PacifiCorp, Audit Number 2004-002, dated December 1, 2004, is basically performed as an internal process.
[27] ScottishPower provides Strategic Planning services that include a forecasting component; however, this is a service that more closely aligns itself to services proposed to be performed by MEHC.
[28] UI 221, Application of PacifiCorp, dated October 1, 2003, page 7.

UI 221. If this direct proportion of one-half is applied to the projected Group Tax and Human Resources cost of $2.1 million, the pro forma costs to customers in UE 170 for these services would be approximately $1.05 million. As a result, the MEC charges would be 248 percent higher than similar services currently being provided by ScottishPower. It is also interesting to note that PacifiCorp's Human Resources, Information Technology Support, and Energy Risk Management groups were so highly respected by ScottishPower that these groups were projected in UI 221 to provide up to $2 million of services a year to ScottishPower and affiliates. As previously mentioned, PacifiCorp charged ScottishPower $2.9 million in fiscal year 2005 and $720 thousand in fiscal year 2004 for these services.

Q. SHOULD PACIFICORP CUSTOMERS BE LIABLE FOR THE ADDITIONAL COST OF HAVING MEC PERFORM SERVICES THAT PACIFICORP HAS THE STAFF AND KNOWLEDGE TO CONDUCT INTERNALLY?

A. No. If MEHC prefers to have MEC perform these services that is a corporate decision. However, PacifiCorp customers should not bear an increase in costs.

Q. SO BASICALLY YOU ARE LOOKING AT TWO COST SCENARIOS REGARDING CROSS-CHARGES?

A. Yes, Staff Exhibit/202, page 1, only looks at the comparison of MEHC corporate charges to the ScottishPower net cross-charge. This comparison results in a <u>cost</u> to Oregon customers of approximately $57 thousand per year, which equals approximately $572 thousand over the ten-year period.

Staff Exhibit/202, page 2, examines all potential costs to Oregon customers including increased allocation of the management fee and increased absorption of administrative and general costs that PacifiCorp will no longer receive annual payments from affiliates. This analysis results in a cost to Oregon customers of approximately $2.84 million per year, which equals approximately $28.43 million over the ten-year period.

Q. PLEASE PROVIDE IN A TABLE SEQUENCE, COSTS AND SAVINGS TO OREGON CUSTOMERS STARTING WITH THE MEHC STATED SAVINGS?

A. Yes, I will. The following table sequence shows the savings and/or costs (including the ten-year Net Present Value (NPV)[29] of the costs) to Oregon customers based on the various scenarios. The sequence starts with MEHC's stated savings and runs through all the different scenarios.

MEHC's proposed savings to Oregon customers taken from Direct Testimony:

Table 3 – MEHC Calculated Savings

Row		**System**	**Oregon**
1	ScottishPower Net Cross-charge	$15,000,000	$4,416,930
2	MEHC Capped Charges	$9,000,000	$2,650,158
3	Annual Savings to PacifiCorp (Row 1 minus Row 2)	$6,000,000	$1,766,772
4	Ten-year Savings (Row 3 multiplied by 10 years)	$60,000,000	$17,667,720
5	NPV of 10-Year Savings	$47,243,739	$13,911,486

[29] The Net Present Value calculation evaluates a set of costs and benefits over time in order to account for the time value of money. Staff used a ten-year time period that was based on MEHC long-term investment strategy stated in testimony. Staff set the discount rate to the 10-Year Treasury Note Yield, which was 4.60 percent on November 10, 2005, for the NPV calculations.

Staff's calculated costs to Oregon customers based on actual ScottishPower net cross-charge:

Table 4 – Staff Calculated Costs

Row		System	Oregon
1	ScottishPower Net Cross-charge	$8,805,632	$2,592,924
2	MEHC Capped Charges	$9,000,000	$2,650,158
3	Annual Costs to PacifiCorp (Row 1 minus Row 2)	$194,368	$57,234
4	Ten-year Costs (Row 3 multiplied by 10 years)	$1,943,680	$572,340
5	NPV of 10-Year Cost	$1,530,445	$450,658

Staff's calculated costs to Oregon customers based on actual ScottishPower net cross-charge, increase in management fee, and increase in A&G costs:

Table 5 – Staff's Calculated "Total Costs"

Row		System	Oregon
1	ScottishPower Net Cross-charge	$8,805,632	$2,592,924
2	MEHC Capped Charges	$9,000,000	$2,650,158
3	Additional Costs to PacifiCorp (Row 1 minus Row 2)	$194,368	$57,234
4	Increased Management Fee	$1,531,485	$450,964
5	Increase A&G Costs	$7,930,665	$2,335,279
6	Annual Costs (Row 3 plus Rows 4 and 5)	$9,656,518	$2,843,477
7	Ten-year Costs (Row 6 multiplied by 10 years)	$96,565,180	$28,434,770
8	NPV of 10-Year Cost	$76,035,013	$22,389,422

Q. SO YOUR ANALYSIS INDICATES THERE IS A POTENTIAL HARM TO OREGON CUSTOMERS CONCERNING CORPORATE OVERHEAD CHARGES?

A. Yes. The transaction, because of potential cost increases in corporate overhead, will result in harm to Oregon customers. Clearly there is no projected or guaranteed benefit.

Q. IN ADDITION TO CORPORATE OVERHEAD COST INCREASES, ARE THERE OTHER POTENTIAL ADMINISTRATIVE & GENERAL COST INCREASES THAT MAY OCCUR AS A RESULT OF THE TRANSACTION?

A. Yes.

Q. WHAT ARE THESE POTENTIAL COSTS?

A. There are three main areas of concern: (1) Transaction costs, (2) Insurance costs, and (3) Acquisition premium.

Q. PLEASE EXPLAIN YOUR TRANSACTION COSTS CONCERN.

A. MEHC does include a specific commitment concerning transaction costs. In addition, PacifiCorp states:

> "Transaction costs will either be recorded in below-the-line accounts or will be billed to and paid by ScottishPower."[30]

In a response to a Staff data request, MEHC also states that estimated transaction costs are approximately $3 - $5 million.[31] However, as part of the transaction, PacifiCorp is recording transition, integration, and segregation costs in utility accounts. These costs totaled $180 thousand as of August 15, 2005.[32]

---

[30] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 61.
[31] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 63.
[32] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 62.

Q. WHAT ARE THESE TRANSITION, INTEGRATION, AND SEGREGATION COSTS?

A. According to PacifiCorp's response to UM 1209/PacifiCorp Staff Data Request No. 98, transition costs are costs associated with information flow between MEHC and PacifiCorp prior to the transaction closing. Integration costs include costs associated with determining how PacifiCorp will operate effectively with MEHC after the transaction closes. Separation costs include costs necessary to effectively separate PacifiCorp from ScottishPower, its holding structure, and its affiliates.[33]

Q. BECAUSE THESE COSTS ARE INTEGRAL TO THE TRANSACTION, SHOULD THESE COSTS ALSO BE RECORDED IN NON-UTILITY ACCOUNTS AND NOT CHARGED TO PACIFICORP?

A. Yes. Absent the transaction, customers would not have to bear the burden of these costs. Because these costs are integral to the transaction itself, these costs should be transferred to non-utility accounts.

Q. DO YOU HAVE A CHANGE TO MEHC'S PROPOSED COMMITMENT CONCERNING TRANSACTION COSTS?

A. Yes. Because these costs are being booked in utility accounts when they should be recorded in non-utility accounts, MEHC and PacifiCorp should modify Commitment No. 16, to state:

> "PacifiCorp and MEHC will exclude all costs **including transition, integration, and separation costs** of the transaction from PacifiCorp's utility accounts. Within 90 days following completion of the transaction, MEHC will

---

[33] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 98.

> 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."

Q. PLEASE EXPLAIN YOUR CONCERNS REGARDING INSURANCE COSTS.

A. In Commission Order No. 04-737, dated December 10, 2004, (UI 233) and Commission Order No. 05-146, dated March 3, 2005 (UI 233(1)), the Commission authorized PacifiCorp to engage in business transactions with an affiliate, Dornoch International Limited (Dornoch), to secure property damage, overhead line property damage, and liability insurance. The insurance coverage by Dornoch does not replace third-party insurance, but is a "Deductible Buy-down" type policy that is designed to lower PacifiCorp's self-insurance losses. Premiums paid to Dornoch replace customer contributions for deductible/self-insurance and do not result in additional costs to customers. If this transaction is approved, PacifiCorp will no longer be able to secure this "captive" insurance arrangement. As a result, customers may be exposed to higher premium and deductible/self-insurance costs.

Q. HAVE YOU, PACIFICORP, OR MEHC BEEN ABLE TO QUANTIFY ANY CHANGES IN INSURANCE COSTS AS A RESULT OF THE TRANSACTION?

A. Yes. In a response to a Staff Data Request, PacifiCorp states that replacement coverage for the property and liability deductible buy-down premiums can be replaced at a higher cost. According to PacifiCorp:

> "PacifiCorp obtained indicative quotes from the commercial market for replacement insurance and found them to be above the levels of premiums charged by the captive."[34]

In addition, PacifiCorp was not able to find any insurer willing to provide cover for overhead line property insurance. In UI 233, Staff's analysis indicated that the primary cost benefit of using Dornoch was for overhead line insurance. Based on a three-year analysis, the average savings that resulted from using Dornoch for overhead line insurance was $2.93 million (system-allocated) per year. This loss of this savings plus the added costs of premiums could possibly result in a $4.3 million system-allocated, $1.27 million, Oregon-allocated, increase in annual insurance costs.

Q. PREVIOUSLY YOU PROVIDED TABLES ON THE COSTS OF THE DIFFERENT SCENARIOS CONCERNING OVERHEAD CHARGES. CAN YOU PLEASE PROVIDE A SUMMARY TABLE THAT SHOWS OVERHEAD COSTS FOR EACH SCENARIO THAT INCLUDES THE EFFECT OF POTENTIAL INSURANCE COSTS?

A. Yes. The following table, using NPV for a ten-year period, highlights the possible cost effects of the loss of PacifiCorp's captive insurer. Staff's analysis in UI 233 examined costs/savings over a five-year period.[35] As a result, I only included five years of potential increased insurance costs when calculating the ten-year NPV. Exhibit Staff/202; Dougherty/3, illustrates the annual insurance affect. At year six, I remove the insurance cost effect. At this point (years six

[34] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 45.
[35] For Overhead Line Property insurance, Staff was only able to examine three years of data since overhead line coverage was only unavailable for three years at the time of Staff's analysis.

through ten), the NPV is calculated using only the savings/costs of corporate overhead charges.

Table 6 – Possible Effect of Loss of Captive Insurer (10-Year NPV Oregon-Allocated)

Scenario	**Savings/Costs**	**Add Insurance Cost Effect**
MEHC Stated Savings (Table 3)	$13,911,486 Savings	$8,363,192 Savings
Staff's Calculated Net Cross-charge Costs (Table 4)	$450,658 Cost	$5,998,592 Cost
Staff's Calculated "Total Costs" (Table 5)	$22,389,422 Cost	$27,937,716 Cost

Q. SO THE ABOVE TABLE INDICATES THAT, WITH THE EXCEPTION OF THE MEHC STATED SAVINGS, COSTS TO OREGON CUSTOMERS WILL INCREASE AS A RESULT OF THIS APPLICATION?

A. Yes, based on the actual net cross-charge, increases in the management fee absorbed by customers, loss of cost offsets due to the loss of affiliates, and possible increase in insurance costs, the ten-year NPV of costs to Oregon customers is $27.94 million. Clearly there is no projected or guaranteed benefit.

Q. PLEASE EXPLAIN YOUR CONCERNS REGARDING THE ACQUISITION PREMIUM.

A. MEHC's application includes the following Commitment:

> "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 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, MEHC and PacifiCorp will have the right to propose upon rehearing and in subsequent cases a symmetrical adjustment to recognize the acquisition premium in retail revenue requirement."[36]

An acquisition premium is the difference between the actual cost for acquiring a target firm versus the estimate made of its value before the acquisition.[37] So essentially, MEHC is protecting itself by proposing to offset any benefits to customers that may arise through Commission action in a rate case with the acquisition premium. As a result, any proposal to recover the acquisition premium in rates would harm Oregon customers, because customers would not experience the benefit they would have otherwise received. This is especially true if the savings proposed by MEHC do not reflect increased costs in other areas of PacifiCorp's operations. IF MEHC prefers to pay an acquisition premium that is a corporate decision. However, under any circumstances, this premium should be 100 percent allocated to shareholders, and not to customers.

Q. HOW HAS THE COMMISSION TREATED ACQUISITION PREMIUMS IN RECENT FILINGS?

A. Past Commission practice has been to exclude any acquisition premiums from recovery in rates that result from system mergers or acquisitions. Therefore acquisition adjustments must be clearly separated from the original cost values

[36] UM 1209, Direct Testimony and Exhibits, PPL/400; Goodman/15.
[37] Investopedia.com

attributable to PacifiCorp's regulatory assets and excluded from either future request for rate recovery, earnings review, or results of operation. Additionally, in UM 1121, Oregon Electric Utility Company (OEUC) offered a rate credit that would be offset with any cost savings found in future rate cases. The Commission in Order No. 05-114, established that the rate credit with an offset resulted in a minimal benefit to customers.[38] The Commission goes on to state:

> "The required offset and no identified basis make it difficult to determine whether customers will receive anything of value as a result of this transition."[39]

It is clear that if an offset to rate credit offers minimal benefit, an acquisition premium that is used solely to offset cost savings offers no benefits to customers and actually results in harm to customers.

Q. DO YOU HAVE A REVISED COMMITMENT CONCERNING THE ACQUISITION PREMIUM?

A. Yes. The commitment should be revised to the following:

> "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."

Q. DOES THIS CONCLUDE YOUR TESTIMONY CONCERNING CORPORATE OVERHEAD COSTS?

A. Yes.

---

[38] UM 1121, Commission Order No. 05-114, page 30.
[39] *Ibid.*

ISSUE 2, INTERCOMPANY ADMINISTRATIVE SERVICES CONTRACT/COST ALLOCATIONS/ AFFILIATED INTERESTS

Q. HAS MEHC OR PACIFICORP SUBMITTED A DRAFT INTERCOMPANY ADMINISTRATIVE SERVICES AGREEMENT (IASA)?

A. No. MEHC provided a copy of its existing IASA that is being used for MEHC and MEC in other state jurisdictions. According to MEHC, this agreement will eventually include PacifiCorp.[40]

Q. DOES MEHC STATE A DATE THAT THE IASA WILL BE COMPLETED?

A. No; however, MEHC and PacifiCorp should add the following statement to MEHC Commitment No. 13:

> "Within 60 days of receiving all necessary state and federal regulatory approvals, PacifiCorp and MEHC shall file with the Commission a proposed Intercompany Administrative Services Agreement (IASA)."

Q. PLEASE REVIEW THE METHOD MEHC WILL USE TO CHARGE SHARED SERVICES COSTS.

A. MEHC will bill PacifiCorp for both direct costs and indirect costs at a fully loaded actual cost. Fully loaded cost for labor includes benefits, paid time-off, incentives, and pay-roll taxes. Non-labor costs will be directly billed or allocated at actual amounts incurred by MEHC and MEC. There will be no mark-up for profit.[41]

Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN DIRECT AND INDIRECT COSTS.

---

[40] UM 1209, Direct Testimony and Exhibits, PPL/500; Specketer/5.
[41] UM 1209, Direct Testimony and Exhibits, PPL/500; Specketer/6.

A. Direct costs arise from providing services that are specifically attributable to PacifiCorp. This would include material and labor that can be directly tied to a specific service being provided to PacifiCorp. Indirect costs are a cost item that cannot be identified specifically with a single cost objective and would be allocated to PacifiCorp on a two-factor formula comprised of assets and payroll, each weighed equally.

Q. HOW DOES THE TWO-FACTOR FORMULA COMPARE TO THE THREE-FACTOR FORMULA THAT PACIFICORP USES TO ALLOCATE COSTS TO ITS SUBSIDIARIES?

A. PacifiCorp's current three-factor formula is comprised of revenue, assets, and payroll, each weighed equally. MEHC's two-factor formula is comprised of assets and payroll and does not include revenues. If PacifiCorp's current three-factor formula were applied post transaction, instead of MEHC's proposed two-factor formula, shared services cost allocations would decrease by approximately $314 thousand, system-wide ($92 thousand, Oregon-allocated), on an annual basis.[42]

Q. IS THE THREE-FACTOR FORMULA THE APPROPRIATE COST ALLOCATION FOR ESTABLISHING RATES?

A. Yes, the three-factor formula should be used. The two-factor formula will normally result in an increased allocation for PacifiCorp because it is an asset intensive entity with a large payroll. It is interesting to note that PacifiCorp in its UI 221 application noted that an allocation based solely on assets would

[42] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 65.

distribute significant costs to a fixed asset utility.[43] This reasoning carries over to a utility that also has a large payroll. MEHC does acknowledge that the Commission will need to determine, for ratemaking purposes, the appropriate corporate cost allocation method during a general rate case.[44]

Q. DO YOU BELIEVE THAT MEHC'S REGULATORY OVERSIGHT COMMITMENT 14(F) SHOULD BE REVISED?

A. Yes. The Commitment should state:

> "**The** [Any] corporate cost allocation methodology used for rate-setting[,] **should be based on the current PacifiCorp three-factor formula. A**[and a]ny subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule."

Q. HAS MEHC PROVIDED AN ESTIMATE ON PERCENTAGES OF SHARED SERVICES THAT WILL BE DIRECTLY ALLOCATED AND INDIRECTLY ALLOCATED?

A. According to MEHC, approximately 70 percent of the MEHC/MEC costs will be directly charged and the remaining 30 percent will be allocated.[45] These percentages are based on historical data.

Q. DO YOU BELIEVE THAT THIS IS A REASONABLE BREAKDOWN BETWEEN DIRECT AND INDIRECT COSTS?

A. Yes.

Q. ARE THERE ANY OTHER AFFILIATES OF MEHC THAT PACIFICORP CURRENTLY CONDUCTS BUSINESS WITH?

---

[43] UI 221, Application of PacifiCorp, dated October 1, 2003, page 5.
[44] UM 1209, Direct Testimony and Exhibits, PPL/500; Specketer/8.
[45] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 80.

A. Yes. PacifiCorp currently has two contracts with Kern River Gas Transmission that have an associated Federal Energy Regulatory Commission (FERC) tariff. Because there is a FERC approved tariff, PacifiCorp does not need Commission approval of these contracts pursuant to Oregon Administrative Rule (OAR) 860-027-0040(3)(b). PacifiCorp also has two active agreements with Intermountain Geothermal Company, which is a subsidiary of CalEnergy.[46] According to PacifiCorp, PacifiCorp will commit to file the two agreements with Intermountain Geothermal Company with the Commission within 90 days following the closing of the UM 1209 transaction.[47]

Q. DO YOU HAVE ANY ADDITIONAL INFORMATION CONCERNING THE ACTIVITIES OF MEHC'S SUBSIDIARIES?

A. Yes. FERC issued a news release on September 29, 2005, that outlines three areas of non-compliance concerning transactions between MEC and MEC's wholesale merchant function. In addition to agreeing to invest $23.9 million in transmission upgrades, MEC was required to develop a compliance plan to ensure MEC remains compliant on a perspective basis with its open access transmission tariff, standards of conduct, and OASIS requirements. Although this non-compliance does not involve PacifiCorp, it reinforces the necessity of ensuring MEHC abides by the Commission's affiliated interest statutes and rules.

Q. DO YOU HAVE ANY MODIFICATIONS TO MEHC'S COMMITMENTS CONCERNING AFFILIATED INTERESTS?

---

[46] CalEnergy is a subsidiary of MEHC.
[47] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 90.

A. Yes. I have modified or deleted several of MEHC's commitments. I discuss these changes, which are based on current Commission statutes and rules concerning affiliated interests, later in my testimony.

Q. WITH THE REPEAL OF PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 (PUHCA), DOES THE COMMISSION HAVE ADEQUATE STATUTES AND RULES TO PROTECT AGAINST AFFILIATED INTERESTS ABUSES.

A. Yes. The following statutes and rules apply:

1. Oregon Revised Statute (ORS) 757.015 defines affiliated interests in a clear and concise manner.
2. ORS 757.490 and ORS 757.495 describe the approval requirements necessary to conduct affiliated interest transactions.
3. Oregon Administrative Rule (OAR) 860-027-0040 outlines the necessary information for an affiliated interest application.
4. OAR 860-027-0041 describes the information required by a utility when it is providing services or goods to an affiliate.
5. OAR 860-027-0042 outlines the timeliness requirement of affiliated interest applications.
6. OAR 860-027-0045 establishes the requirements for energy utilities to use the Uniform Systems of Accounts.
7. OAR 860-027-0048 describes the Commission's transfer pricing policy and requirement of a utility to file a cost allocation manual. This rule essentially requires that any assets, supplies, or services being received from an affiliate be charged at the lower of cost or market or at the tariffed rate. A

utility providing assets, supplies or services to an affiliate would do so at a tariffed rate or at the higher of cost or market. Because of the lower of cost or market standard, the Commission's transfer pricing policy is basically more protective than the SEC "cost" standard under PUHCA.

8. OAR 860-027-0100 requires utilities to file annual affiliated interest reports with the Commission based on a format previously provided by Staff.
9. In addition, ORS 756.070 through ORS 756.200 outline the Commission's investigatory powers, enforcement, and remedies that can be utilized to ensure MEHC and PacifiCorp comply with the Commission's statutes and rules regarding affiliated interests.

Q. WHAT ELSE HAS THE COMMISSION DONE TO ENSURE COMPLIANCE WITH STATUTES, RULES, AND COMMISSION CONDITIONS?

A. The Commission has re-initiated an audit function that has conducted approximately thirty audits in the past three years, including an audit that examined payments between PGE and Enron. These audits included thorough examinations of a utility's books and records. As a result of previous audits, and Commission statutes and rules, I have confidence that Commission Staff would be able to adequately review all information concerning transactions between PacifiCorp and MEHC and MEHC affiliates.

Q. HAVE YOU EVER HAD ANY EXPOSURE WITH SEC STAFF CONCERNING PUHCA ACTIVITIES?

A. Yes. I was invited to participate in an examination of the ScottishPower plc System under Sections 13 and 15 of PUHCA. The examination occurred in the first and second quarters of 2004. As part of the review, the SEC closely examined the operation of the ScottishPower System including managerial directives, transactions with affiliates, intercompany loans, intercompany accounts, interstate jurisdictional allocations, allocations between PacifiCorp and affiliates, as well as other facets of PacifiCorp's operation including bonus and stock compensation, lobbying costs, billing processes, cash management, and charges to specific accounts.

Q. DID THE RESULTS OF THE EXAMINATION DEMONSTRATE ANY INHERENT WEAKNESS OR GAPS IN THE COMMISSION STATUTES AND RULES CONCERNING AFFILIATED INTERESTS?

A. No. PacifiCorp provided me with responses to fifty-six SEC data requests. I reviewed and compared the responses to information previously provided by PacifiCorp to the OPUC concerning affiliated interest transactions and allocations. I did not observe any inconsistencies between the information PacifiCorp provided the SEC, and information that I previously received from PacifiCorp. Additionally, I did not observe any information that I would not have been able to obtain based on Commission statutes and rules. Many of the requests by the SEC were detailed and concise, and I used the SEC data request language during PacifiCorp's UE 170 general rate case, which resulted in significant reductions in non-labor administrative and general expenses and incentive expenses.

Q. DO YOU HAVE CONCERNS THAT BECAUSE OF THE PUHCA REPEAL THAT THE COMMISSION WILL NOT HAVE ACCESS TO PACIFICORP'S AND MEHC'S BOOKS AND RECORDS?

A. No. Although the repeal of PUHCA removes some protections, PacifiCorp and MEHC still have to comply with:

1. Commission statutes and rules;
2. Commission conditions imposed on this transaction and other Commission orders affecting PacifiCorp;
3. New FERC authority resulting from the EPAct 2005;
4. Generally accepted accounting principles (GAAP);
5. SEC reporting requirements such as Forms 10-K, 10-Q, and 8-K's;
6. Annual FERC Form 1 Reports; and
7. Additional federal laws such as the Sarbanes-Oxley Act.

Additionally, PacifiCorp will still have external auditors whose objective is to examine a company's financial statements and to express an opinion on the fairness of the financial statements in presenting financial position, results of operations, and cash flows in conformity with GAAP. When reviewing the financial statements of a company, the external auditor determines if the financial statements meet the required criteria of fairness (free from material errors), full disclosure, internal control, GAAP, and consistency of applying accounting principles.

So in other words, there are adequate protections currently in place to ensure transparency concerning transactions between PacifiCorp and MEHC and affiliates is maintained if the application is approved.

Q. DOES MEHC PROVIDE ANY COMMITMENTS CONCERNING REGULATORY OVERSIGHT?

A. Yes. MEHC adopts ScottishPower's prior commitments concerning regulatory oversight and financial integrity. I have made various recommendations in this testimony to change and/or elaborate on a few key commitments.

Q. CAN YOU PLEASE LIST THE COMMITMENTS YOU HAVE PROPOSED FOR DELETION AND MODIFICATION SHOWING THE CHANGES YOU MADE?

A. Yes. Deletions are listed first; modifications, which are reflected in bold and strike-throughs, follow the deletions.

The deletions are proposed because the commitments as stated by MEHC and PacifiCorp do not provide any benefits to customers. There is no added value to customers by maintaining these commitments, especially because many of these commitments are simply reiterations of current Commission statutes and rules.

1). Exhibit PPL/309, Commitment No. 4 - Delete:

> "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 <u>or which are otherwise relevant to the business of PacifiCorp. This commitment is also applicable to the books and records of Berkshire Hathaway."</u>

Reason: The above commitment is not necessary due to investigatory powers covered under ORS 756.070, ORS 756.075(1) and (2), ORS 756.090(1) and (2), and ORS 756.115(4) and (5).

2). Exhibit PPL/309, Commitment No. 5 - Delete:

> "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."

Reason: The above commitment is not necessary due to investigatory powers covered under ORS 756.070, ORS 756.075(2), and ORS 756.115.

3). Exhibit PPL/309, Commitment No. 6 - Delete:

> "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."

Reason: The above commitment is not necessary due to investigatory powers covered under ORS 756.070, ORS 756.075(1) and (2), and ORS 756.105(1).

4). Exhibit PPL/309, Commitment No. 7 – Delete

> "MEHC and PacifiCorp will comply with all existing Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports."

Reason: The above commitment is not necessary as it is covered under ORS 756.040(2), ORS 756.060, ORS 756.062(1), ORS 757.015, ORS 757.490, ORS 757.495, OAR 860-027-0040, OAR 860-027-0041,

OAR 860-027-0042, OAR 860-027-0045, OAR 860-027-0048, and OAR 860-027-0100.

5). Exhibit PPL/309, Commitment No. 8 – Delete:

> "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."

Reason: The above commitment is not necessary as it is covered under ORS 756.105(1), OAR 860-027-0048, and OAR 860-027-0100.

6.) Exhibit PPL/309, Commitment No. 9 – Delete:

> "PacifiCorp and MEHC will not cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with Commission's then-existing practice with respect to such matters."

Reason: The above commitment is not necessary as it is covered under ORS 757.015, ORS 757.490, ORS 757.495, OAR 860-027-0040, OAR 860-027-0041, and OAR 860-027-0048.

7). Exhibit PPL/309, Commitment No. 10 – Delete:

> "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."

Reason: The above commitment is not necessary due to PUHCA Repeal.

8). Exhibit PPL/309, Commitment No. 12 – Delete:

> "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."

Reason: The above commitment is not necessary as it is covered under ORS 757.015 and ORS 757.511.

9). Exhibit PPL/309, Commitment No. 21 – Delete:

> "Neither PacifiCorp nor its subsidiaries will 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 business of PacifiCorp as backing for any securities which MEHC or its affiliates, but excluding PacifiCorp and its subsidiaries) may issue."

Reason: The above commitment is not necessary as it is covered under ORS 757.015, ORS 757.440, ORS 757.490, ORS 757.495, OAR 860-027-0035, OAR 860-027-0040, and OAR 860-027-0042.

10). Exhibit PPL/309, Commitment No. 39 – Delete:

> ""MEHC commits that it will not charge PacifiCorp for the corporate charges to PacifiCorp from MEHC will not exceed $9 million annually for a period of five years after the closing on the proposed transaction. (In FY 2006, ScottishPower's net cross-charges to PacifiCorp are projected to be $15 million.)"

Reason: Staff's analysis indicates that there is no savings, but a <u>cost</u> resulting in corporate charges to PacifiCorp.

11). Exhibit PPL/309, Commitment No. O3 – Delete:

> "Affiliate Transactions: MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes Section 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 Intercompany 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."

Reason: The above commitment is not necessary as it is covered under ORS 757.015, ORS 757.490, ORS 757.495, OAR 860-027-0040, OAR 860-027-0041, OAR 860-027-0042, and OAR 860-027-0048.

12). Exhibit PPL/309, Commitment No. O5 – Delete:

> "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."

Reason: The above commitment is not necessary as it is covered under ORS 757.480. ORS 757.490, ORS 757.495, OAR 860-027-0020, OAR 860-027-0040, OAR 860-027-0041, OAR 860-027-0048, and OAR 860-027-0100.

The following commitments have recommended modifications. These modifications are proposed in order to clarify commitments or to restate the commitment to ensure customers are not harmed by the commitment.

13). Exhibit PPL/309, Commitment No. 13 – Modify:

> "**PacifiCorp and MEHC shall file a proposed Intercompany Administrative Services Agreement (IASA) with the Commission no later than 60 days after Commission approval of this application, docket UM 1209.** Within ~~3~~**6**0 days of ~~receiving all necessary state and federal regulatory approvals of the final corporate and affiliate cost allocation methodology~~ **filing the Intercompany Administrative Services Agreement (IASA)**, a written document setting forth the final corporate and affiliate cost methodology **in the format developed by Staff (and sent to utilities on December 3, 2004)** will be submitted to the Commission **by PacifiCorp**. On an on-going basis **pursuant to OAR 860-027-0048, Allocation of Costs by an Energy Utility**, the Commission will also be notified of anticipated or mandated changes to the corporate and affiliate cost allocation methodologies."

14). Exhibit PPL/309, Commitment No. 14 – Modify:

> "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 will have in place time reporting systems adequate to support the allocation 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) **The** ~~Any~~ corporate cost allocation methodology used for rate-setting~~,~~ **should be based on the current PacifiCorp three-factor formula. A**~~and a~~ny subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule."

15). Exhibit PPL/309, Commitment No. 16 – Modify:

"PacifiCorp and MEHC will exclude all costs **including transition, integration, and separation 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."

16). Exhibit PPL/309, Commitment No. 17 – Modify:

"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 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, MEHC and PacifiCorp will have the right to propose upon rehearing and in subsequent cases a symmetrical adjustment to recognize the acquisition premium in retail revenue requirement~~."

Q. DOES THIS CONCLUDE YOUR TESTIMONY CONCERNING THE IASA, CORPORATE ALLOCATIONS, AND AFFILIATED INTERESTS?

A. Yes.

ISSUE 3, MIDAMERICAN ENERGY HOLDINGS COMPANY AND PACIFICORP'S UTAH SPECIFIC COMMITMENTS

Q. WHAT IS THE UTAH SPECIFIC COMMITMENT THAT YOU ARE CONCERNED ABOUT?

A. MEHC included the following commitment:

> "PacifiCorp and MEHC commit to increasing the number of corporate and senior management positions in Utah to better reflect the relative size of Utah's retail load compared to the retail loads of the other states. Positions to be examined will include, but not be limited to, engineering, purchasing, information technology, land rights, legal, commercial transactions and asset management."[48]

Q. HAS MEHC PROPOSED ADDITIONAL COMMITMENTS CONCERNING CORPORATE PRESENCE?

A. Yes. Commitment No. 48 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 reliable service and cost-effective operations."[49]

Q. DOES MEHC INDICATE HOW MANY PERSONNEL MAY BE TRANSFERRED AND IF THE TRANSFERS WILL BE VOLUNTARY?

A. No. An *Oregonian* article speculates that:

> "Employment at PacifiCorp's downtown Portland headquarters could drop by dozens, even hundreds of workers during the next several years as the utility gradually shifts some of its corporate jobs to offices in Salt Lake City.

[48] UM 1209, Direct Testimony and Exhibits, Exhibit PPL/101; Page 5 of 6; Abel.
[49] *Ibid.*

> The precise count isn't known, utility officials emphasized. But they say they are committed to moving more high-level positions to Salt Lake City because Utah now accounts for more customers and electricity revenue than any other state in the utility's six-state territory."[50]

Q. HOW DOES MEHC RESPOND TO THIS ARTICLE?

A. In a response to a Staff data request, MEHC states that the reporter took comments of Mr. Abel out of context and was not a factual report. According to MEHC, the impact of staffing changes to Oregon is dependent on facts currently unknown at this time.[51]

Q. PRIOR TO THE PROPOSED MEHC TRANSACTION, HAS PACIFICORP PREVIOUSLY DISCUSSED SHIFTING OF PERSONNEL TO UTAH?

A. No. According to a PacifiCorp response to a Staff data request, PacifiCorp has no documents discussing large-scale shifts of personnel from Portland to Salt Lake City.[52]

Q. SO ALTHOUGH WE DO NOT KNOW HOW MANY PERSONNEL WILL BE TRANSFERRED, WE DO KNOW THAT POSITIONS WILL BE, AT SOME POINT, LOCATED IN UTAH.

A. Yes. For positions not to be relocated to Utah, MEHC would have to violate its commitment made to Utah. So although we do not know, at this stage, how many PacifiCorp employees located in Oregon will be required to relocate, it is safe to assume that some number will.

---

[50] The Oregonian, *PacifiCorp to Shift Staff to Utah,* September 7, 2005.
[51] PacifiCorp response to UM 1209/PacifiCorp Staff Data Request No. 111.
[52] *Ibid.*

Q. DO YOU BELIEVE THAT THE TRANSFER OF PERSONNEL IS IN THE PUBLIC INTEREST OF OREGON GENERALLY?

A. It is unclear. If and when employees are transferred, there will be a negative impact on local and state tax revenue, purchasing power, and civic involvement in Oregon. This negative impact may be offset somewhat through more efficient operations at PacifiCorp.

Q. WHAT IS THE MAGNITUDE OF THE PERSONNEL SHIFT?

A. Total Non-farm Employment in Oregon for September 2005 was 1,660,900.[53] So the loss of 100 employees is only .006 percent of total Oregon employment. Although this is an extremely small percentage, there is still a potential harm to Oregon citizens as a whole because of the loss of local and state tax revenue, purchasing power, and civic involvement in Oregon. According to PacifiCorp, average total compensation for personnel located in Portland is $85,945. The average annual taxes paid per employee are $637 for local taxes and $6,132 for state taxes.[54]

Q. IF MEHC COMMITS TO INCREASING THE NUMBER OF CORPORATE AND SENIOR MANAGEMENT POSITIONS IN UTAH, WHAT NET BENEFIT DOES COMMITMENT NO. 48 PROVIDE TO OREGON CUSTOMERS?

A. It is unclear that any benefit would be received from this commitment or if any harm would be mitigated by this commitment. As previously mentioned, if any Portland based employees are transferred to Utah, there will be a negative impact on local and state tax revenue, purchasing power, and civic involvement

[53] Oregon Labor Market Information System, Employment Department of Oregon.
[54] UM 1209/PacifiCorp response to Staff Data Request No. 111.

in Oregon. The commitment does not include any benchmarks for adequate staffing, and what MEHC perceives as adequate staffing may not be the same level envisioned by Oregon customers. In the Staff Audit Report of PacifiCorp, Audit Number 2004-002, dated December 1, 2004, Staff compared certain field positions in Oregon to other states PacifiCorp operates in. Staff writes:

> "the number of meter readers and meter technicians in relation to the customer base in Oregon continues to be lower than for all other states. Since 2002, these ratios moved in line with that for all other states. This is not due to an increase in the percentage of meter readers and meter technicians relative to customer base in Oregon, but due to a decrease in the ratio for all other states. However, the percentage of service technicians to the customer base has remained higher in Oregon relative to all other states."[55]

So without specific information on staffing and presence in each state, the commitment is vague and not measurable.

Q. SHOULD THIS COMMITMENT BE MAINTAINED EVEN THOUGH IT IS NOT MEASURABLE?

A. Yes. By maintaining this commitment, the Commission can refer back and hold MEHC accountable to this commitment if future problems concerning Oregon staffing occur. The following modification to the commitment is recommended:

> "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."

[55] Staff Audit Report of PacifiCorp, Audit 2004-002, dated December 1, 2004, page 56.

Q. DOES THIS CONCLUDE YOUR TESTIMONY CONCERNING MEHC AND PACIFICORP'S NEW UTAH SPECIFIC COMMITMENT?

A. Yes.

<u>ISSUE 4, MEHC'S ADOPTION OF CERTAIN SCOTTISHPOWER PRIOR COMMITMENTS</u>

Q. INCLUDED IN MEHC'S APPLICATION IS AN ADOPTION OF SCOTTISHPOWER'S PRIOR COMMITMENTS CONCERNING REGULATORY OVERSIGHT AND FINANCIAL INTEGRITY. DOES THE ADOPTION OF THESE COMMITMENTS RESULT IN A NET BENEFIT TO CUSTOMERS?

A. No. These commitments listed in Exhibit PPL/301, pages 2 through 4 are commitments that are currently being provided by ScottishPower and if the application is not approved, customers would continue to receive these commitments from ScottishPower. There is no added value to customers by maintaining these commitments, especially since many of these commitments are simply reiterations of current Commission statutes and rules. Additionally, it is important to note the Commission is familiar with ScottishPower and its ability to fulfill all commitments made, while MEHC has an unproven track record in working with the Commission.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 201

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME: MICHAEL DOUGHERTY

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: PROGRAM MANAGER, CORPORATE ANALYSIS AND WATER REGULATION

ADDRESS: 550 CAPITOL ST. NE, SALEM, OR 97310-1380

EDUCATION: Master of Science, Transportation Management, Naval Postgraduate School, Monterey CA (1987)

Bachelor of Science, Biology and Physical Anthropology, City College of New York (1980)

EXPERIENCE: Employed with the Oregon Public Utility Commission as the Program Manager, Corporate Analysis and Water Regulation. Also serve as Lead Auditor for the Commission's Audit Program.

Performed a five-month job rotation as Deputy Director, Department of Geology and Mineral Industries, March through August 2004.

Employed by the Oregon Employment Department as Manager - Budget, Communications, and Public Affairs from September 2000 to June 2002.

Employed by Sony Disc Manufacturing, Springfield, Oregon, as Manager - Manufacturing, Manager - Quality Assurance, and Supervisor - Mastering and Manufacturing from April 1995 to September 2000.

Retired as a Lieutenant Commander, United States Navy. Qualified naval engineer.

CASE: UM 1209
WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 202

Exhibit in Support of Testimony

November 21, 2005

UM 1209 Corporate Overhead Costs - Cross-Charge Only

Scottish Power		**MEHC**			
Cross charge to PacifiCorp (UE 170)	$11,703,482	Cross Charge (MEHC)	$9,000,000		
FY 2005 Cross-Charge Scottish Power	$2,897,850				
Net Cross-Charge	**$8,805,632**		**$9,000,000**		
Overhead costs to PacifiCorp - System		**$194,368**	per year	**$1,943,680**	over ten years
Oregon allocated		**$57,234**	per year	**$572,340**	over ten years
				$450,658	Ten-Year NPV

UM 1209 Corporate Overhead Costs - Total Potential Costs

Scottish Power		**MEHC**					
Cross charge to PacifiCorp (UE 170)	$11,703,482	Cross Charge (MEHC)	$9,000,000				
FY 2005 Cross-Charge Scottish Power	$2,897,850						
Lost Service Payments: (2005 AI Report)[1]		Corporate Overhead Increase[2]	$1,531,485				
PacifiCorp Holdings	$317,111						
PacifiCorp GHC	$99,650						
PPM Energy (Net)	$6,911,416						
Pacific Klamath Energy	$178,416						
PacifiCorp Financial Services	$147,260						
PacifiCorp Energy Canada	$83,848						
Enstor Operating Company	$192,964						
Total Lost Service Payments	**$7,930,665**						
Total Costs to PacifiCorp	**$874,967**		**$10,531,485**				
Increase of overhead costs to PacifiCorp - System			**$9,656,518**	per year,	**$96,565,180**	over ten years	
Oregon allocated			**$2,843,478**	per year,	**$28,434,776**	over ten years	
1. Amounts do not include management fee.					**$22,389,422**	**Ten-Year NPV**	
2. PacifiCorp Fiscal Year 2006 Corporate group Cost per 2005 AI report			$21,600,640				
FY 2006 (UE 170) Allocation electric operations =		92.76%	$20,036,754	UE 170			
Post-MEHC Transaction Allocation =		99.85%	$21,568,239	DR #53			
Cost Increase based on larger allocation to electric operations			**$1,531,485**	per year,	**$7,657,427**	over ten years	
Oregon allocated			$451,271	per year,	**$4,512,705**	over ten years	

NPV of Ten Year Annual Costs - Oregon Allocated

Scenario #2 - Total Potential Costs

Year	Annual Cost		
1	($2,843,478)	**Rate**	**4.60%**
2	($2,843,478)		
3	($2,843,478)		
4	($2,843,478)	**10-Year NPV**	**($22,389,422)**
5	($2,843,478)		
6	($2,843,478)		
7	($2,843,478)		
8	($2,843,478)		
9	($2,843,478)		
10	($2,843,478)		
10-Year Costs	**($28,434,780)**		

Add Insurance Effect

Year	Annual Cost		
1	($4,110,857)	**Rate**	**4.60%**
2	($4,110,857)		
3	($4,110,857)		
4	($4,110,857)	**10-Year NPV**	**($27,937,716)**
5	($4,110,857)		
6	($2,843,478)		
7	($2,843,478)		
8	($2,843,478)		
9	($2,843,478)		
10	($2,843,478)		
10-Year Costs	**($34,771,675)**		

Scenario #1 - Cross Charge Only

Year	Annual Cost		
1	($57,234)	**Rate**	**4.60%**
2	($57,234)		
3	($57,234)		
4	($57,234)	**10-Year NPV**	**($450,658)**
5	($57,234)		
6	($57,234)		
7	($57,234)		
8	($57,234)		
9	($57,234)		
10	($57,234)		
10-Year Costs	**($572,340)**		

Year	Annual Cost		
1	($1,324,613)	**Rate**	**4.60%**
2	($1,324,613)		
3	($1,324,613)		
4	($1,324,613)	**10-Year NPV**	**($5,998,952)**
5	($1,324,613)		
6	($57,234)		
7	($57,234)		
8	($57,234)		
9	($57,234)		
10	($57,234)		
10-Year Costs	**($6,909,235)**		

MEHC Proposed Savings

Year	Annual Savings		
1	$1,766,772	**Rate**	**4.60%**
2	$1,766,772		
3	$1,766,772		
4	$1,766,772	**10-Year NPV**	**$13,911,486**
5	$1,766,772		
6	$1,766,772		
7	$1,766,772		
8	$1,766,772		
9	$1,766,772		
10	$1,766,772		
10-Year Savings	**$17,667,720**		

Year	Annual Savings		
1	$499,393	**Rate**	**4.60%**
2	$499,393		
3	$499,393		
4	$499,393	**10-Year NPV**	**$8,363,192**
5	$499,393		
6	$1,766,772		
7	$1,766,772		
8	$1,766,772		
9	$1,766,772		
10	$1,766,772		
10-Year Savings	**$11,330,825**		

1. Estimated annual increase due to loss of Overhead line coverage and increase "Buy-down" premiums from third party insurer equals, $1,267,369 Oregon-allocated per year (loss effect calculated for 5 years). ($1,267,379)
2. Rate equals November 10 2005, 10-year treasury - 4.60%.

CASE: UM 1209
WITNESS: Michael Dougherty

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 203

Exhibit in Support of Testimony

November 21, 2005

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 45

OPUC Data Request 45

If the captive insurance is terminated, has PacifiCorp analyzed the cost of replacement or substitute insurance? Please explain.

Response to OPUC Data Request 45

PacifiCorp obtained indicative quotes from the commercial market for replacement insurance and found them to be above the levels of premiums charged by the captive. Please refer to OPUC Data Request 46. MEHC believes that similar terms and conditions will be available subject to appropriate risk parameters

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 53

OPUC Data Request 53

Please explain the effect of the transaction on PacifiCorp's Corporate Allocation for Group Expenses.

a. How will the transaction change the CY 2006 electric operation allocation of 92.74%?
b. What will be the revised electric operation allocation?
c. If the allocation is increased due to PPM not being in the calculation, wouldn't this actually result in an increase in corporate overhead? Please explain.
d. What will be PacifiCorp's cost associated with an increase in the electric operation allocation?

Response to OPUC Data Request 53

a. The CY 2006 electric operation allocation percentage will increase as a result of PPM & other affiliates remaining with ScottishPower following the closing of the transaction.

b. The revised electric operation allocation is anticipated to be approximately 99.85%.

c. It is not possible to respond definitively at this time. Depending upon whether and to what extent PacifiCorp's total internal corporate overhead costs are reduced, the actual level of such costs allocated to the regulated utility could either decrease or increase even though the percent of the total has increased. Such total overhead cost reductions could be associated with integration with MEHC and/or a reduction of service provisions to affiliates. The only remaining affiliate will be PacifiCorp Environmental Remediation Company (PERCo).

d. PacifiCorp's Corporate Allocation for Group Expenses (internal management fee) associated with the change are unknown at this time. It is possible that some current services\costs under ScottishPower ownership will either be eliminated or need to be replaced by an alternate provider.

This allocation of PacifiCorp expenses does not include any ScottishPower Corporate Allocation for Group Expenses, which will decrease as outlined in the filed testimony.

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 60

OPUC Data Request 60

Will the $3.7 million per year MEC charges to PacifiCorp for budgeting and forecasting, human resources, and tax compliance result in an off-setting reduction of $3.7 million in PacifiCorp's corporate overhead costs since PacifiCorp currently performs these functions and employs numerous personnel involved in these functions? Why will PacifiCorp need these services as a separate business platform with its own management? Please explain.

Response to OPUC Data Request 60

No, MEC charges for the functions described are not expected to result in cost savings for such functions at PacifiCorp. MEC charges for budgeting and forecasting, human resources, tax compliance, etc., are for coordination efforts on behalf of MEHC.

UM- 1209/PacifiCorp
August 29, 2005
OPUC Data Request 61

OPUC Data Request 61

In what accounts will PacifiCorp record expenses (legal, accounting, administration, IT, other) associated with this transaction? Are any "above-the line-accounts" (i.e. accounts 921922, 923, etc.) being used to record costs? Please explain.

Response to OPUC Data Request 61

Transition, integration and separation associated costs will be recorded in above-the-line A&G accounts such as 920, 921, 923 etc.

Transaction costs will either be recorded in below-the-line accounts or will be billed to and paid by ScottishPower.

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 62

OPUC Data Request 62

Please list PacifiCorp's costs to date for the transaction by cost category, and amount.

Response to OPUC Data Request 62

Please see Attachment OPUC 62 on the enclosed CD.

Attachment OPUC 62

PacifiCorp Costs relating to MidAmerica at Aug 15, 2005

FERC Acct	FERC Acct Descrip	SAP CE	SAP CE DESCRIP	$
921	OFFICE SUPPLIES AND EXPENSES	503115	On-Site Meals & Refr	134.45
920	ADMINISTRATIVE AND GENERAL SALARIES	610005	Administration	19,884.16
920	ADMINISTRATIVE AND GENERAL SALARIES	610032	PPW Officers & Execs	4,737.60
920	ADMINISTRATIVE AND GENERAL SALARIES	610338	Manager	63,538.16
				88,294.37
920	ADMINISTRATIVE AND GENERAL SALARIES	610032	PPW Officers & Execs	20,160.00
920	ADMINISTRATIVE AND GENERAL SALARIES	610033	Executive Support	12,575.02
920	ADMINISTRATIVE AND GENERAL SALARIES	610036	Property Services	18,392.00
920	ADMINISTRATIVE AND GENERAL SALARIES	610104	Appl Development Srv	25,520.00
920	ADMINISTRATIVE AND GENERAL SALARIES	610344	Director	15,912.00
				92,559.02

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 63

OPUC Data Request 63

What are PacifiCorp's anticipated costs (budget or otherwise) for this transaction? How will PacifiCorp shield customers from the costs associated with this transaction?

Response to OPUC Data Request 63

PacifiCorp's transaction cost projection is based on what was incurred during the ScottishPower transaction and is estimated to be in the range of $3-5m. It should be noted that transaction cost estimates can be materially impacted by the length of the transaction approval process. Transaction costs will be charged below the line and paid by shareholders.

UM-1209/PacifiCorp
August 29, 2005
OPUC Data Request 65

OPUC Data Request 65

Please provide a comparison of the projected Shared Services Costs to PacifiCorp between the proposed two-factor formula and the three-factor formula used by PacifiCorp for subsidiaries. Please use Exhibit PPL/502; Specketer for the cost comparison.

Response to OPUC Data Request 65

See Attachment OPUC 65 on the enclosed CD.

Attachment OPUC 65

MidAmerican Energy Holdings Company
Projected Shared Services Costs to PacifiCorp
(000's)

Description		ServCo		MEC		CalEnergy		Total
As Filed (2-factor)								
Salaries, benefits and bonuses	$	2,933	$	1,220	$	123	$	4,277
Other employee compensation		1,893		655		40		2,587
Outside services		453		715		-		1,168
Travel costs, incl. corporate aircraft		420		983		-		1,403
Other		51		80		-		131
Total	$	5,750	$	3,652	$	163	$	9,566
PacifiCorp Approach (3-factor)								
Salaries, benefits and bonuses	$	2,905	$	1,173	$	117	$	4,195
Other employee compensation		1,866		598		37		2,500
Outside services		399		639		-		1,038
Travel costs, incl. corporate aircraft		420		971		-		1,391
Other		51		77		0		127
Total	$	5,640	$	3,458	$	154	$	9,252

OPUC Data Request 74

Is PacifiCorp contemplating structuring an affiliate to undertake business activities of any Scottish Power affiliates after completion of the transaction? Please explain.

Response to OPUC Data Request 74

No. PacifiCorp has no current plans to structure an affiliate to undertake business activities of any Scottish Power affiliates.

UM-1209/PacifiCorp
September 1, 2005
OPUC Data Request 75

OPUC Data Request 75

Is PacifiCorp contemplating structuring an affiliate or subsidiary to undertake any new business activities or business ventures not presently being performed by a current affiliate or subsidiary after completion of the transaction? Please explain.

Response to OPUC Data Request 75

No. PacifiCorp has no current plans to structure an affiliate or subsidiary to undertake any new business activities or business ventures not currently being performed by a current affiliate or subsidiary.

UM-1209/PacifiCorp
September 1, 2005
OPUC Data Request 76

OPUC Data Request 76

As a follow-up to Staff Data Request No. 60, please provide Organization Charts for PacifiCorp's Budgeting, Forecasting, Human Resources, and Tax divisions. Please include total Full Time Equivalents (FTE's) for each division and fiscal year 2005 labor costs (include all loadings) for each division.

Response to OPUC Data Request 76

Please refer to Attachment OPUC 76 on the enclosed CD for the most recent available organizational charts of the Budget/Forecasting, Human Resources, Corporate Tax, and Operating Tax groups.

FY 2005 FTE counts and labor costs for the requested parts of the Company are as follows:

Organization	FTE's	FY05 Labor Costs
Budget/Forecasting	17	$ 1,722,585
Human Resources	80	$ 6,389,474
Corporate Tax	12	$ 1,747,162
Operating Tax	5	$ 359,585

Attachment OPUC 76
Organization Chart - PacifiCorp Budgeting/Forecasting

Managing Director, Performance Management & Reporting

- Director, Plng/Fincl Anly
  - Director, Project Mgmt
- Director, Fin/Actng
  - Manager, Fin/Actng
  - Manager, Perf Rptg
  - Manager, Fin/Actng
- Manager, Plng/Fincl Anly

Attachment OPUC 76
Organization Chart - PacifiCorp Human Resources

Vice President, Human Reaources

- Director, Compliance/DS
- Coord, HR - Ld/Sr
- Director, Benefits
  - Manager, HR
- Director, Compensation
  - Manager, Labor Relations
  - Manager, Labor Relations
- Director, Client Mgmt
- Director, Communications
- Director, Organizational Development
  - Manager, HR
  - Manager, HR
  - Manager, HR
- Director, Client Management

Attachment OPUC 76
Organization Chart - PacifiCorp Corporate Tax

- Director, Tax
  - Tax Director
    - Manager, Tax
    - Asst Tax Director
  - Tax Manager

Attachment OPUC 76
Organization Chart - PacifiCorp Operating Tax

CFO
→ Asst Tax Director

UM-1209/PacifiCorp
September 1, 2005
OPUC Data Request 80

OPUC Data Request 80

Based on historical data concerning the MEHC/MEC IASA, approximately what percentage of costs are direct charged and what percentage of costs are allocated per the two-factor formula? Please explain the analysis.

Response to OPUC Data Request 80

Costs reflected on Revised Exhibit 502 are based on MEHC's historical experience. The estimate is that approximately 70% of the MEHC/MEC costs reflected in Revised Exhibit 502 will be directly charged and the remainder allocated.

OPUC Data Request 90

As a follow-up to Staff Data Request No. 42, if the transaction is approved, in what time frame does PacifiCorp intend to file affiliated interest (AI) contracts for Commission approval for the Kern River Gas Transmission contracts No. 6017 and 3017, and CalEnergy Corporation for the geothermal steam source? Please explain.

PPW's Response to OPUC Data Request 90

PacifiCorp does not intend to file affiliated interest contracts for Commission approval for the Kern River Gas Transmission contracts Nos. 6017 and 3017 because it does not believe such approval is required under OAR 860-027-0040. Pursuant to OAR 860-027-0040(3)(b), utilities seeking to purchase a service provided under a rate or schedule of rates which has been filed with an agency charged with the regulation of utilities, has been approved as just and reasonable or in compliance with another comparable standard, and is available to a broad class of customers, do not need to seek approval from the Commission for the specific affiliated interest transaction. Kern River Gas Transmission Company is a FERC-regulated interstate gas pipeline company with gas transportation tariffs approved and on file with FERC and which tariffs are available to other customers. Kern River's FERC tariff is available on line at the following website: http://services.kernrivergas.com/services/postings/KRTariff/kr tariff.aspx. As a result, PacifiCorp interprets this provision as not requiring Commission approval of such agreements. PacifiCorp will however, report any affiliated interest, intercompany and intracompany transactions in its annual report filed pursuant to OAR 860-027-0100.

With respect to the CalEnergy Corporation agreement, PacifiCorp will commit to file such agreement with the Commission within 90 days following closing of the transaction.

OPUC Data Request 98

Please provide a brief summary of what is included in each cost category (transition, integration, and separation).

PPW's Response to OPUC Data Request 98

Transition costs refer to costs associated with information flow between MidAmerican and PacifiCorp prior to the transaction closing.

Integration costs include those associated with determining how PacifiCorp can best operate with MidAmerican after the transaction closes. They also include the costs of implementing required changes to processes, systems, etc.

Separation costs include the costs of actions necessary to effectively separate PacifiCorp from ScottishPower, its holding structure and its affiliates. Activities for separation may include disconnecting existing organizational interfaces, business processes or systems. Existing shared service agreements provide a mechanism by which affiliates can be appropriately charged for costs incurred on their behalf.

UM-1209/PacifiCorp
September 23, 2005
OPUC Data Request 111 MEHC

OPUC Data Request 111 MEHC

Concerning the transfer of personnel to Utah:

a. Please provide relevant documentation which demonstrates that PacifiCorp has previously discussed with the Oregon Commission or Commission Staff, prior to the MEHC transaction, the possible large-scale shifting of personnel from Portland to Salt Lake City.
b. Approximately how many people will be transferred? (Please see the September 7, 2005, Oregonian article titled *"PacifiCorp to Shift Staff to Utah")*
c. Please provide the titles of corporate and senior management that will be transferred to Utah. How many corporate and senior management personnel are planned to be transferred to Utah? Please explain.
d. Given the assurances by MEHC and MEC to Utah to have a balanced level of staffing between Portland and Salt Lake City, about how many more Portland personnel would need to be transferred to Utah to meet this commitment?
e. What is the average total annual compensation for personnel currently located in Portland? Given this total compensation, provide estimates of annual local and state taxes that are paid on average per employee.
f. What is the estimated re-location cost of these personnel and in which accounts would these costs be recorded? Please explain the analysis performed to determine this amount.
g. Please provide the number and titles of corporate and senior management that will be maintained in Portland.
h. Concerning the positions that will be transferred to Utah, what upper level subordinate positions will stay in Portland? Will these personnel be able to make decisions regarding interpretation of customer service policies and tariffs pertaining to Oregon customers?
i. What is the estimated decrease in Portland building lease costs that will result from moving personnel out of Portland? When do current lease contracts expire? Will PacifiCorp need to sub-let any space to off-set costs of vacancies?
j. Please explain how the loss of state income tax revenue, loss of local purchasing dollars, and loss of community involvement for the personnel being transferred from Oregon is a benefit to the Oregon public.
k. Please explain how the loss of local presence of corporate and senior management is a benefit to Oregon customers.

MEHC's Response to OPUC Data Request 111

b. The September 7, 2005, Oregonian article titled *"PacifiCorp to Shift Staff to Utah"* is a reporter's selective and speculative supposition regarding future MEHC actions, bad upon remarks made by Mr. Abel in Utah that were taken out-of-context. The article is not a factual report of any MEHC plans regarding staff changes because MEHC has not made definitive plans regarding how it will increase the number of corporate and senior management positions in Utah, other than what is already included in Mr. Abel's testimony. The impact, if any, on Oregon staffing levels will depend upon facts currently unknown (e.g., executives who may choose to leave PacifiCorp after the close of the transaction) and whether it is determined to be efficient and appropriate to locate an executive position and associated staffing in another state.

c. See the response to "b".

d. See the response to "b".

f. See the response to "b".

g. See the response to "b".

h. See the response to "b".

i. See the response to "b".

j. See the response to "b".

k. See the response to "b".

Regarding parts a and e, please see PPW's response to this request.

OPUC Data Request 111 PPW

Concerning the transfer of personnel to Utah:

a. Please provide relevant documentation which demonstrates that PacifiCorp has previously discussed with the Oregon Commission or Commission Staff, prior to the MEHC transaction, the possible large-scale shifting of personnel from Portland to Salt Lake City.
b. Approximately how many people will be transferred? (Please see the September 7, 2005, Oregonian article titled *"PacifiCorp to Shift Staff to Utah")*
c. Please provide the titles of corporate and senior management that will be transferred to Utah. How many corporate and senior management personnel are planned to be transferred to Utah? Please explain.
d. Given the assurances by MEHC and MEC to Utah to have a balanced level of staffing between Portland and Salt Lake City, about how many more Portland personnel would need to be transferred to Utah to meet this commitment?
e. What is the average total annual compensation for personnel currently located in Portland? Given this total compensation, provide estimates of annual local and state taxes that are paid on average per employee.
f. What is the estimated re-location cost of these personnel and in which accounts would these costs be recorded? Please explain the analysis performed to determine this amount.
g. Please provide the number and titles of corporate and senior management that will be maintained in Portland.
h. Concerning the positions that will be transferred to Utah, what upper level subordinate positions will stay in Portland? Will these personnel be able to make decisions regarding interpretation of customer service policies and tariffs pertaining to Oregon customers?
i. What is the estimated decrease in Portland building lease costs that will result from moving personnel out of Portland? When do current lease contracts expire? Will PacifiCorp need to sub-let any space to off-set costs of vacancies?
j. Please explain how the loss of state income tax revenue, loss of local purchasing dollars, and loss of community involvement for the personnel being transferred from Oregon is a benefit to the Oregon public.
k. Please explain how the loss of local presence of corporate and senior management is a benefit to Oregon customers.

PPW's Response to OPUC Data Request 111

a. PacifiCorp has no documents discussing large-scale shifts of personnel from Portland to Salt Lake City.

UM-1209/PacifiCorp
September 23, 2005
OPUC Data Request 111 PPW

e. The average total annual compensation (base plus incentive) for personnel currently located in Portland is $85,945. The average annual taxes paid per employee is $637 for local taxes and $6,132 for state taxes.

See also MEHC's response to this request.

CASE: UM 1209
WITNESS: MING PENG

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 300

Direct Testimony

November 21, 2005

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Ming Peng. My business address is 550 Capitol Street NE Suite 215, Salem, Oregon 97301-2551. My telephone number is (503) 373-1123. I am employed by the Public Utility Commission of Oregon (OPUC) as a Utility Analyst of the Economic and Policy Analysis Section in the Economic Research and Financial Analysis Division.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My Witness Qualification Statement is found in Exhibit Staff/301.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will discuss MidAmerican Energy Holdings Company's (MEHC) cost-saving Commitment on PacifiCorp's long-term debt and MEHC's credit risk.

Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?

A. Yes. I prepared Exhibit Staff/302, consisting of 43 pages which contain my analysis of this Commitment.

Q. HAVE YOU REVIEWED PACIFICORP'S PAST DEBT ISSUANCES COMPARED TO COMPARABLE COMPANIES?

A. Yes. While my analysis necessarily involves judgment, and it is difficult to come to a precise "answer," I conclude PacifiCorp has been able to issue debt at a lower cost than comparable companies.

Q. WHY DO YOU OFFER THAT ANALYSIS IN THIS REGARD IS IMPRECISE?

A. When conducting an analysis that compares the cost of PacifiCorp debt issuance to other similar business risk companies, there are many factors that may influence the cost of debt, thus affecting the precision of the analysis. For example, factors influencing the cost of debt include the size of the debt issued, the date the debt is offered, rate locks, and call options. In addition, the choice of comparable companies can greatly affect the results and has been a contentious issue in past rate proceedings. Therefore I think it is difficult at best to have much precision in this analysis. Although admittedly imprecise, to consider the merits of the MEHC proposal, Staff conducted a study that identified comparable companies and timing of debt issuances.

Q. HOW DO YOU VIEW MEHC'S COMMITMENT OF UP TO 10 BASIS POINTS ADJUSTMENT, FOR FIVE YEARS, FROM THE DEBT COST ISSUED BY COMPARABLE COMPANIES, DEPENDING ON THE RATES OF PACIFICORP'S INCREMENTAL DEBT ISSUANCES?

A. I do not believe the MEHC commitment provides any benefit to customers. The Testimony of PPL/Goodman/400 states:

> "MEHC commits that over the next five years it will demonstrate that PacifiCorp's incremental long-term debt issuances will be at a yield ten basis points below its similarly rated peers. If it is unsuccessful in demonstrating that PacifiCorp has 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."

Indeed, rather than providing a benefit, the commitment may harm customers if viewed in isolation from other conditions. Again my analysis concludes that PacifiCorp has been able to issue debt at rates lower than 10 basis points than comparable companies. Therefore, the commitment "over the next five years it [MEHC] will demonstrate that PacifiCorp can issue new long-term debt at a yield ten basis points below its similarly rated peers" is meaningless, and not a benefit for PacifiCorp or its ratepayers.

Q. PLEASE DISCUSS YOUR ANALYSIS ON THIS ISSUE.

A. I compared PacifiCorp's long-term debt issuances costs over the past 10 years with similarly rated peers. PacifiCorp's spreads have been up to 58 basis points lower than its peers for the same rating. The average spread is about 29 basis points lower than its peers at the same credit rating

Q. WHAT INFORMATION DID YOU REVIEW FOR DEBT ISSUANCE SPREADS?

A. I conducted surveys for comparing debt issuances spreads between PacifiCorp and its industry peers. The data sources are: (1) Standard & Poor's CreditWeek from 1995 to 2005, which covers: Spread to Treasury by Rating Category - U.S. Industrial Credit Trends By Rating Category; the Sector Spreads (basis point) Relative Value Rating Category 'A'; (2)

Moody's Public Utility Manual from 1995 to 2005; (3) Moody's Corporate Bond Yield Averages from its Credit Survey; and (4) PacifiCorp's historic rate spreads on its debt issuances.

Q. DID YOU REQUEST HISTORICAL DEBT SPREAD INFORMATION FOR A COMPARABLE PEER GROUP FROM PACIFICORP?

A. Yes. Unfortunately, neither MEHC nor PacifiCorp were able to provide relevant information. *See* response to Staff Data Request 125, attached as Staff/302, Peng/3.

Q. PLEASE DESCRIBE YOUR ANALYSIS WITH RESPECT TO LONG-TERM DEBT ISSUANCES COSTS.

A. I compared PacifiCorp's historic trading spreads with its similarly rated peers - utility industry's average spreads from 1995 to 2005. The industry average data include electric, water and gas industries from Standard & Poor's CreditWeek from 1995 to 2005. The comparisons attempt to maintain the same industries, with the same credit ratings, similar type of security, and applicable maturity term as contained in PacifiCorp's response to staff's data request. *See* response to Staff Data Request 87-a, attached as Staff/302, Peng/2.

Q. PLEASE SUMMARIZE YOUR OBSERVATIONS ON INDUSTRIAL SPREADS AND RATING TRENDS.

A. Based on the survey results from 1995 to 2005, PacifiCorp's debt issuance spreads reflect an average of 29 basis points lower than its peers. *See* attachment Staff/302, Peng/1.

Q. WHAT IS MEHC'S CURRENT CREDIT RATING?

A. The acquiring company MEHC has a lower credit rating than its proposed "subsidiary"- PacifiCorp. MEHC's credit rating is also lower than ScottishPower's. MEHC's senior unsecured credit rating is BBB-/Baa3, which is lower than PacifiCorp's A-/A3 rating. The ratings with a "+" (plus) or "-" (minus) indicate whether credit quality is near the top or bottom of a category. The lowest investment grade is BBB-/Baa3 (MEHC's current credit rating), which is one notch away from junk status.

Q. WOULD MEHC'S LOWER CREDIT RATING RAISE ANY RISKS FOR PACIFICORP AND ITS CUSTOMERS?

A. That is a likely possibility. MEHC's lower credit rating may yield risks to PacifiCorp and its customers because it may have a negative impact on the company's access to capital and its cost; especially in light of the fact that PacifiCorp currently can issue debt at rates lower than comparable companies.

Q. VIEWING MEHC'S CONDITION IN ISOLATION, DO YOU BELIEVE THAT PRECISION IN INVESTMENT RISK ANALYSIS WOULD ALLOW THE COMMISSION TO DISCERN WHETHER OR NOT A 10 BASIS POINTS SAVINGS WAS REALIZED?

A. No. Even identifying comparable companies has much judgment to it and experts can justly disagree on whether companies should be included or excluded from a sample. I do not believe quantification and accuracy of such analysis would yield confidence in the precision of measuring cost savings, if any, in debt issuances.

Q. PLEASE SUMMARIZE YOUR SUGGESTIONS ON THIS ISSUE.

A. Given the measurement inaccuracy in the analysis and the subjectivity of comparable companies and risk analysis, I recommend the Commission not adopt MEHC's "up to 10 basis points" proposal. The proposal does not assure any benefits to customers and would likely lead to disputes in analysis as to whether there were any savings. Further, based on my analysis, PacifiCorp already issues debt at rates more than 10 basis points lower than peers. As such, the commitment provides no value to PacifiCorp and its customers, and may mask harm in that new issuance of PacifiCorp debt may in fact be higher if the Commission approves this transaction.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Ming Peng

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 301

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME: MING PENG (Ms.)

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: UTILITY ANALYST

ADDRESS: 550 CAPITOL ST. N.E. SUITE 215, SALEM, OR 97301-2551

EDUCATION & TRAINING:

Certified Rate of Return Analyst (CRRA)
Society of Utility and Regulatory Financial Analysts 2002

NARUC Annual Regulatory Studies Program
Michigan State University, East Lansing 1999

Master of Science, Agricultural Economics
University of Idaho, Moscow 1990

Bachelor of Science, Statistics
People's University of China, Beijing 1983

EXPERIENCE:

PUBLIC UTILITY ANALYST 1999 - present
Public Utility Commission of Oregon. Primary responsibilities: Conduct economic and financial analysis on regulatory policies relating to public utility issues. The analyses focus on electric, natural gas, water, and telecommunications industries.

INDUSTRY ANALYST 1996-1998
Weyerhaeuser Company. Primary responsibilities: Forecasted product demand, price trends, and price elasticity. Established the process (specific methods and techniques) for market, investment, and economic analyses. Selected the analytical techniques most appropriate for any given problem.

ECONOMIST (Natural Resources) 1992-1996
Idaho Department of Water Resources. Primary responsibilities: Conducted economic research. Developed analysis in evaluating policy and planning alternatives; determined the financial and economic feasibility of proposed natural resource projects using economic modeling and investment analysis.

CASE: UM 1209
WITNESS: Ming Peng

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 302

Exhibit in Support of Testimony

November 21, 2005

Exhibit 302/PENG 1 UM 1209-300 PENG DIRECT

OPUC UM-1209 Data Request 87a **PacifiCorp Secured Debt Issuances since 1995**

	Issue	Issue Date	Term (years)	Ratings (Moody/ S&P)	Principal	Coupon Rate	Bench Treasury Yield	Coupon minus Treasurys	Spreads Bps	Comparison PPL - Utility Difference (Bps)	Electric, Water & Gas Utilities Utility Average Bps	List 1	List 2	S&P CreditWeek. Spread to Treasury Rating Category 'A'
1	Ser G MTN due Jun 2007	06/09/95	12	A2/A	$100,000,000	6.625%	6.070%	0.555%	55.5	-31	86	86	86	6/12/1995, page 67 & 68
2	Ser G MTN due Jan 2006	01/22/96	10	A2/A	100,000,000	6.120%	N/A				95	95	95	1/12/96
3	Ser G MTN due Jan 2026	01/23/96	30	A2/A	100,000,000	6.710%	6.108%	0.602%	60.2	-28	88	88	88	6/28/96
4	Ser H MTN due Jul 2009	07/15/97	12	A2/A	125,000,000	7.000%	6.302% *	0.698%	69.8	9	61	63	59	6/27, 7/3/97
5	Ser H MTN due Jul 2004	07/15/97	7	A2/A	175,000,000	6.750%	6.319% *	0.431%	43.1	-19	62	61	63	6/20&6/27/97
6	Ser H MTN due May 2008	05/12/98	10	A2/A+	200,000,000	6.375%	5.669%	0.706%	70.6	-1	72	71	73	5/1/98,5/8/98
7	FMB due Nov 2006	11/08/98	8	A2/A+	200,000,000	5.650%	5.013% *	0.637%	63.7	-75	139	136	142	10/16,10/23/98
8	FMB due Nov 2031	11/21/01	30	A3/A	300,000,000	7.700%	5.375%	2.325%	232.5	-5	237	239	235	11/2,11/9/2001
9	FMB due Nov 2011	11/21/01	10	A3/A	500,000,000	6.900%	4.849%	2.051%	205.1	-23	228.5	227	230	10/19,10/26/2001
10	FMB due Sep 2013	09/08/03	10	A3/A	200,000,000	5.450%	4.585%	0.865%	86.5	-47	133.5	133	134	8/27,89/3/2003
11	FMB due Sep 2008	09/08/03	5	A3/A	200,000,000	4.300%	3.582%	0.718%	71.8	-58	130	127	133	8/20,8/27/2003
12	FMB due Aug 2034	08/24/04	30	A3/A-	200,000,000	5.900%	5.026%	0.874%	87.4	-36	123.5	126	121	1/27,2/4/2004
13	FMB due Aug 2014	08/24/04	10	A3/A-	200,000,000	4.950%	4.227%	0.723%	72.3	-55	127	128	126	1/20,1/27/2004
14	FMB due Jun 2035	06/13/05	30	A3/A-	300,000,000	5.250%	4.224%	1.026%	102.6	-7	110	110	110	6/8/2005, p.50, 9/2&28, 2005
										-29				

Attachment OPUC 87.a
Exhibit 302/Peng 2

PacifiCorp Secured Debt Issuances since 1995

OPUC UM-1209 Data Request 87a

Issue	Issue Date	Term (years)	Ratings (Moody/ S&P)	Principal	Coupon Rate	Bench Treasury Yield	All In Issuance Spread	Refunding Spread	All In Cost
Ser G MTN due Jun 2007	06/09/95	12	A2/A	$ 100,000,000	6.625%	6.070%	0.790%	0.111%	6.971%
Ser G MTN due Jan 2006	01/22/96	10	A2/A	100,000,000	6.120%	N/A	N/A	0.421%	6.633%
Ser G MTN due Jan 2026	01/23/96	30	A2/A	100,000,000	6.710%	6.108%	0.673%	0.000%	6.781%
Ser H MTN due Jul 2009	07/15/97	12	A2/A	125,000,000	7.000%	6.302% *	0.943%	0.000%	7.245%
Ser H MTN due Jul 2004	07/15/97	7	A2/A	175,000,000	6.750%	6.319% *	0.765%	0.000%	7.084%
Ser H MTN due May 2008	05/12/98	10	A2/A+	200,000,000	6.375%	5.669%	0.848%	0.000%	6.517%
FMB due Nov 2006	11/08/98	8	A2/A+	200,000,000	5.650%	5.013% *	1.187%	0.000%	6.200%
FMB due Nov 2031	11/21/01	30	A3/A	300,000,000	7.700%	5.375%	2.432%	0.000%	7.807%
FMB due Nov 2011	11/21/01	10	A3/A	500,000,000	6.900%	4.849%	2.202%	0.000%	7.051%
FMB due Sep 2013	09/08/03	10	A3/A	200,000,000	5.450%	4.585%	0.974%	0.402%	5.961%
FMB due Sep 2008	09/08/03	5	A3/A	200,000,000	4.300%	3.582%	0.900%	0.688%	5.170%
FMB due Aug 2034	08/24/04	30	A3/A-	200,000,000	5.900%	5.026%	0.968%	0.000%	5.994%
FMB due Aug 2014	08/24/04	10	A3/A-	200,000,000	4.950%	4.227%	0.863%	0.000%	5.090%
FMB due Jun 2035	06/13/05	30	A3/A-	300,000,000	5.250%	4.224%	1.113%	0.029%	5.366%

* includes impact of treasury rate lock. 15

UM-1209/PacifiCorp
November 2, 2005 OPUC
Data Request 125

OPUC Data Request 125

Please provide the spread information, from 1995 to present, for the electric power industry, in sufficient detail to allow staff to compare industry average with the company's numbers. This information will be the same type of information as stated in Data Request 87.a (both secured and unsecured debt) for the same industry (not PacifiCorp actual traded), with the same credit rating, same type of security, and same maturity term as responded by PacifiCorp. The data should include (see attached Excel format table):

(1) coupon rate
(2) bench Treasury Yield
(3) all-In Issuance Spreads
(4) all-in cost

Response to OPUC Data Request 125

Neither PacifiCorp nor MEHC has the information requested in DR 125. We are unaware of any source for spread information for the electric power industry that is further segregated by credit rating and term to maturity.

Averages

	AV. CORP.	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups P.U.	IND.	R.R.
1994								
Dec.	8.73	8.46	8.62	8.73	9.11	8.79	8.67	—
1995								
Jan.	8.71	8.46	8.60	8.70	9.08	8.77	8.65	
Feb.	8.50	8.26	8.39	8.48	8.85	8.56	8.43	—
Mar.	8.35	8.12	8.24	8.33	8.70	8.41	8.29	—
Apr.	8.25	8.03	8.12	8.23	8.60	8.30	8.19	—
May	7.86	7.65	7.74	7.86	8.20	7.93	7.79	—
June	7.54	7.30	7.43	7.53	7.90	7.62	7.46	—
July	7.66	7.41	7.54	7.65	8.04	7.73	7.59	—
Aug.	7.81	7.57	7.69	7.79	8.19	7.86	7.76	—
Sep.	7.56	7.32	7.45	7.56	7.93	7.62	7.50	—
Oct.	7.39	7.12	7.27	7.39	7.75	7.46	7.32	—
Nov.	7.30	7.02	7.18	7.32	7.68	7.40	7.20	
Dec.	7.11	6.82	6.99	7.13	7.49	7.21	7.01	—
1996								
Jan.	7.10	6.81	6.99	7.12	7.47	7.20	6.99	—
Feb.	7.27	6.99	7.16	7.31	7.63	7.37	7.17	—
Mar.	7.65	7.35	7.52	7.68	8.03	7.72	7.57	
Apr.	7.80	7.50	7.68	7.83	8.19	7.88	7.72	—
May.	7.91	7.62	7.77	7.94	8.30	7.99	7.83	—
June	8.00	7.71	7.87	8.02	8.40	8.07	7.93	—
July	7.95	7.65	7.82	7.97	8.35	8.02	7.87	—
Aug. [1]	7.76	7.46	7.63	7.77	8.18	7.84	7.68	—
Sept.	7.95	7.66	7.82	7.95	8.35	8.01	7.88	—
Oct.	7.68	7.39	7.58	7.70	8.07	7.76	7.61	—
Nov.	7.41	7.10	7.31	7.41	7.79	7.48	7.33	—
Dec.	7.50	7.20	7.41	7.51	7.89	7.58	7.42	—
1997								
Jan.	7.71	7.42	7.63	7.71	8.09	7.79	7.63	—
Feb.	7.59	7.31	7.54	7.59	7.94	7.68	7.50	—
Mar.	7.83	7.55	7.77	7.82	8.18	7.92	7.74	—
Apr.	7.99	7.73	7.93	7.98	8.34	8.08	7.90	—
May	7.86	7.58	7.80	7.86	8.20	7.94	7.79	—
June	7.68	7.41	7.62	7.68	8.02	7.77	7.59	—
July	7.42	7.14	7.36	7.42	7.75	7.52	7.32	—
Aug.	7.48	7.22	7.40	7.46	7.82	7.57	7.37	—
Sept.	7.40	7.15	7.34	7.39	7.70	7.50	7.29	—
Oct.	7.26	7.00	7.20	7.27	7.57	7.37	7.15	—
Nov.	7.13	6.87	7.07	7.15	7.42	7.24	7.01	—
Dec.	7.03	6.76	6.99	7.05	7.32	7.16	6.91	
1998								
Jan.	6.89	6.61	6.82	6.93	7.19	7.03	6.75	—
Feb.	6.95	6.67	6.88	7.01	7.25	7.09	6.82	—
Mar.	7.00	6.72	6.93	7.05	7.32	7.13	6.87	—
Apr.	6.99	6.69	6.90	7.03	7.33	7.12	6.86	—
May	6.98	6.69	6.91	7.03	7.30	7.11	6.85	—
June	6.83	6.53	6.78	6.88	7.13	6.99	6.67	—
July	6.84	6.55	6.78	6.89	7.15	6.99	6.69	—
Aug.	6.83	6.52	6.77	6.89	7.14	6.96	6.70	
Sept.	6.75	6.41	6.69	6.82	7.09	6.88	6.62	—
Oct.	6.77	6.37	6.69	6.85	7.18	6.88	6.66	—
Nov.	6.87	6.41	6.79	6.95	7.34	6.96	6.79	
Dec.	6.72	6.22	6.65	6.80	7.23	6.84	6.60	—
1999								
Jan.	6.76	6.24	6.68	6.84	7.29	6.87	6.65	—
Feb.	6.89	6.40	6.79	6.97	7.39	7.00	6.77	—
Mar.	7.07	6.62	6.98	7.14	7.53	7.18	6.96	
Apr.	7.05	6.64	6.96	7.13	7.48	7.16	6.94	—
May	7.32	6.93	7.23	7.40	7.72	7.42	7.22	—
June	7.62	7.23	7.52	7.69	8.02	7.70	7.53	
July	7.57	7.19	7.48	7.65	7.95	7.66	7.48	—
Aug.	7.77	7.40	7.68	7.84	8.15	7.86	7.67	—
Sept.	7.78	7.39	7.68	7.84	8.20	7.87	7.68	—
Oct.	7.93	7.55	7.79	7.99	8.38	8.02	7.84	—
Nov.	7.73	7.36	7.62	7.79	8.15	7.86	7.59	—
Dec.	7.87	7.55	7.78	7.96	8.19	8.04	7.69	—

	Public Utility Bonds Aaa	Aa	A	Baa	Industrial Bonds Aaa	Aa	A	Baa	Railroad Bonds Aaa	Aa	A
1994											
Dec.	8.55	8.69	8.76	9.16	8.37	8.54	8.70	9.05	—	—	—
1995											
Jan.	8.53	8.66	8.73	9.15	8.38	8.53	8.67	9.01	—	—	—
Feb.	8.33	8.45	8.52	8.93	8.19	8.32	8.44	8.77	—	—	—
Mar.	8.18	8.29	8.37	8.78	8.06	8.18	8.29	8.62	—	—	—
Apr.	8.08	8.17	8.27	8.67	7.98	8.06	8.19	8.52	—	—	—
May	7.71	7.80	7.91	8.30	7.58	7.68	7.80	8.10	—	—	—
June	7.39	7.49	7.60	8.01	7.21	7.36	7.46	7.79	—	—	—
July	7.51	7.60	7.70	8.11	7.31	7.48	7.60	7.97	—	—	—
Aug.	7.66	7.71	7.83	8.24	7.47	7.65	7.75	8.15	—	—	—
Sep.	7.42	7.48	7.62	7.98	7.21	7.41	7.50	7.88	—	—	—
Oct.	7.23	7.30	7.46	7.82	7.02	7.24	7.32	7.68	—	—	—
Nov.	7.13	7.22	7.43	7.81	6.90	7.13	7.20	7.55	—	—	—
Dec.	6.94	7.03	7.23	7.63	6.70	6.95	7.02	7.35	—	—	—
1996											
Jan.	6.92	7.02	7.22	7.64	6.69	6.95	7.03	7.29	—	—	—
Feb.	7.11	7.20	7.37	7.78	6.86	7.12	7.24	7.47	—	—	—
Mar.	7.45	7.55	7.73	8.15	7.25	7.49	7.63	7.91	—	—	—
Apr.	7.60	7.70	7.89	8.32	7.40	7.65	7.76	8.06	—	—	—
May	7.73	7.79	7.98	8.45	7.52	7.75	7.90	8.14	—	—	—
June	7.83	7.87	8.06	8.51	7.59	7.86	7.98	8.28	—	—	—
July	7.78	7.83	8.02	8.44	7.51	7.81	7.91	8.26	—	—	—
Aug.	7.59	7.66	7.84	8.25	7.33	7.63	7.69	8.09	—	—	—
Sept.	7.76	7.84	8.01	8.41	7.55	7.80	7.89	8.28	—	—	—
Oct.	7.50	7.60	7.77	8.15	7.28	7.55	7.62	7.98	—	—	—
Nov.	7.21	7.32	7.49	7.87	6.99	7.29	7.34	7.70	—	—	—
Dec.	7.33	7.44	7.59	7.98	7.07	7.38	7.43	7.80	—	—	—
1997											
Jan.	7.53	7.68	7.77	8.18	7.30	7.58	7.64	8.00	—	—	—
Feb.	7.47	7.60	7.64	8.02	7.14	7.47	7.52	7.86	—	—	—
Mar.	7.70	7.84	7.87	8.26	7.40	7.70	7.76	8.09	—	—	—
Apr.	7.88	8.00	8.03	8.42	7.58	7.85	7.93	8.25	—	—	—
May	7.72	7.85	7.89	8.28	7.45	7.74	7.83	8.12	—	—	—
June	7.55	7.68	7.72	8.12	7.26	7.55	7.64	7.91	—	—	—
July	7.29	7.43	7.48	7.87	6.99	7.29	7.43	7.48	—	—	—
Aug.	7.39	7.46	7.51	7.92	7.05	7.34	7.40	7.70	—	—	—
Sept.	7.33	7.43	7.47	7.79	6.94	7.25	7.32	7.63	—	—	—
Oct.	7.18	7.28	7.35	7.67	6.81	7.12	7.19	7.48	—	—	—
Nov.	7.09	7.15	7.25	7.49	6.65	7.00	7.05	7.35	—	—	—
Dec.	6.99	7.07	7.16	7.41	6.54	6.90	6.95	7.24	—	—	—
1998											
Jan.	6.85	6.94	7.04	7.28	6.38	6.70	6.81	7.11	—	—	—
Feb.	6.91	6.99	7.12	7.36	6.44	6.78	6.90	7.15	—	—	—
Mar.	6.96	7.04	7.16	7.37	6.47	6.83	6.94	7.26	—	—	—
Apr.	6.94	7.02	7.16	7.37	6.44	6.79	6.90	7.29	—	—	—
May	6.94	7.02	7.16	7.34	6.44	6.81	6.90	7.26	—	—	—
June	6.80	6.91	7.03	7.21	6.25	6.66	6.72	7.05	—	—	—
July	6.80	6.91	7.03	7.23	6.29	6.65	6.76	7.06	—	—	—
Aug.	6.75	6.87	7.00	7.20	6.29	6.67	6.78	7.08	—	—	—
Sept.	6.66	6.78	6.93	7.13	6.1	6.59	6.71	7.05	—	—	—
Oct.	6.63	6.79	6.96	7.13	6.10	6.58	6.73	7.22	—	—	—
Nov.	6.59	6.89	7.03	7.31	6.22	6.68	6.88	7.36	—	—	—
Dec.	6.43	6.78	6.91	7.24	6.00	6.51	6.68	7.21	—	—	—
1999											
Jan.	6.41	6.82	6.97	7.30	6.07	6.54	6.70	7.27	—	—	—
Feb.	6.56	6.94	7.09	7.41	6.23	6.64	6.84	7.37	—	—	—
Mar.	6.78	7.11	7.26	7.55	6.46	6.83	7.02	7.51	—	—	—
Apr.	6.80	7.11	7.22	7.51	6.46	6.81	7.03	7.45	—	—	—
May	7.09	7.38	7.47	7.74	6.77	7.07	7.33	7.70	—	—	—
June	7.37	7.67	7.74	8.03	7.09	7.37	7.64	8.00	—	—	—
July	7.34	7.62	7.71	7.97	7.04	7.33	7.59	7.93	—	—	—
Aug.	7.54	7.82	7.91	8.16	7.24	7.54	7.76	8.14		—	—
Sept.	7.55	7.82	7.93	8.19	7.23	7.53	7.76	8.21	—	—	—
Oct.	7.73	7.96	8.06	8.32	7.37	7.63	7.92	8.43	—	—	—
Nov.	7.56	7.82	7.94	8.12	7.15	7.42	7.65	8.17	—	—	—
Dec.	7.74	8.00	8.14	8.28	7.35	7.55	7.77	8.09	—	—	—

Notes: See Moody's® Bond Survey for a brief description and the latest published list of bonds included in the averages. Because of the dearth of Aaa rated railroad term bond issues, Moody's® Aaa railroad bond yield average was discontinued as of December 18, 1967. Moody's® Aaa public utility average suspended from Jan. 1984 thru Sept. 1984, Oct. 1984 figure for last 14 business days only. The Railroad Bond Averages were discontinued as of July 17, 1989 because of insufficient frequently tradable bonds. The July figures were based on 8 business days.

[1] Average Corporate yield published in September 1996 as 7.68 was revised to 7.76 for October 1996 issue.

Corporate Bond Yield Averages

	Av. Corp.	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups P.U.	Ind.	R.R.		Public Utility Bonds Aaa	Aa	A	Baa		Industrial Bonds Aaa	Aa	A	Baa		Railroad Bonds Aaa	Aa	A	Baa
2000																							
Jan.	8.06	7.78	7.96	8.15	8.33	8.32	7.89	—	Jan.	7.95	8.17	8.35	8.40	Jan.	7.60	7.74	7.94	8.26	Jan.	—	—	—	—
Feb.	7.96	7.68	7.82	8.06	8.29	8.10	7.82	—	Feb.	7.82	7.99	8.23	8.33	Feb.	7.53	7.65	7.87	8.24	Feb.	—	—	—	—
Mar.	7.99	7.68	7.83	8.07	8.37	8.14	7.83	—	Mar.	7.87	7.99	8.28	8.40	Mar.	7.48	7.66	7.84	8.34	Mar.	—	—	—	—
Apr.	7.98	7.64	7.82	8.07	8.40	8.14	7.82	—	Apr.	7.87	8.10	8.29	8.40	Apr.	7.41	7.63	7.84	8.40	Apr.	—	—	—	—
May	8.41	7.99	8.24	8.49	8.90	8.55	8.25	—	May	8.22	8.44	8.70	8.86	May	7.76	8.03	8.28	8.94	May	—	—	—	—
June	8.05	7.67	7.87	8.18	8.48	8.22	7.87	—	June	7.96	8.10	8.36	8.47	June	7.37	7.63	8.00	8.49	June	—	—	—	—
July	7.98	7.65	7.81	8.11	8.35	8.17	7.78	—	July	8.00	8.10	8.25	8.33	July	7.30	7.51	7.97	8.36	July	—	—	—	—
Aug.	7.88	7.55	7.70	8.02	8.26	8.05	7.70	—	Aug.	7.89	7.95	8.11	8.28	Aug.	7.20	7.44	7.91	8.26	Aug.	—	—	—	—
Sept.	7.98	7.62	7.83	8.13	8.35	8.16	7.81	—	Sept.	7.92	8.11	8.23	8.38	Sept.	7.29	7.54	8.03	8.37	Sept.	—	—	—	—
Oct.	7.95	7.55	7.81	8.17	8.34	8.08	7.82	—	Oct.	7.80	8.08	8.14	8.29	Oct.	7.29	7.55	8.08	8.38	Oct.	—	—	—	—
Nov.	7.90	7.45	7.75	8.09	8.28	8.03	7.76	—	Nov.	7.71	8.03	8.17	8.25	Nov.	7.19	7.47	8.07	8.31	Nov.	—	—	—	—
Dec.	7.65	7.21	7.48	7.88	8.02	7.79	7.50	—	Dec.	7.51	7.79	7.84	8.01	Dec.	6.90	7.16	7.90	8.03	Dec.	—	—	—	—
2001																							
Jan.	7.55	7.15	7.38	7.75	7.93	7.76	7.34	—	Jan.	7.53	7.73	7.80	7.99	Jan.	6.76	7.02	7.70	7.86	Jan.	—	—	—	—
Feb.	7.50	7.10	7.32	7.69	7.87	7.69	7.30	—	Feb.	7.46	7.62	7.74	7.94	Feb.	6.74	7.01	7.64	7.80	Feb.	—	—	—	—
Mar.	7.41	6.98	7.22	7.61	7.84	7.59	7.23	—	Mar.	7.31	7.51	7.68	7.85	Mar.	6.64	6.92	7.55	7.83	Mar.	—	—	—	—
Apr.	7.63	7.20	7.43	7.82	8.07	7.81	7.45	—	Apr.	7.53	7.72	7.94	8.06	Apr.	6.86	7.14	7.74	8.08	Apr.	—	—	—	—
May	7.69	7.29	7.50	7.88	8.07	7.88	7.49	—	May	7.61	7.79	7.99	8.11	May	6.96	7.20	7.75	8.03	May	—	—	—	—
June	7.56	7.18	7.34	7.73	7.97	7.75	7.36	—	June	7.50	7.62	7.85	8.02	June	6.85	7.05	7.60	7.92	June	—	—	—	—
July	7.51	7.13	7.27	7.65	7.97	7.71	7.30	—	July	7.46	7.55	7.78	8.05	July	6.80	6.99	7.52	7.89	July	—	—	—	—
Aug.	7.37	7.02	7.11	7.48	7.85	7.57	7.16	—	Aug.	7.36	7.39	7.39	7.95	Aug.	6.67	6.83	7.37	7.74	Aug.	—	—	—	—
Sep.	7.54	7.17	7.27	7.67	8.03	7.73	7.34	—	Sep.	7.52	7.55	7.75	8.12	Sep.	6.83	7.00	7.60	7.93	Sep.	—	—	—	—
Oct.	7.41	7.03	7.13	7.59	7.91	7.64	7.18	—	Oct.	7.45	7.47	7.63	8.02	Oct.	6.60	6.79	7.54	7.79	Oct.	—	—	—	—
Nov.	7.32	6.97	7.01	7.49	7.81	7.61	7.03	—	Nov.	7.45	7.45	7.57	7.96	Nov.	6.48	6.56	7.40	7.66	Nov.	—	—	—	—
Dec.	7.35	6.76	7.19	7.70	8.05	7.86	7.23	—	Dec.	7.53	7.53	7.83	8.27	Dec.	6.67	6.85	7.56	7.82	Dec.	—	—	—	—
2002																							
Jan.	7.38	6.55	7.03	7.30	7.87	7.69	7.07	—	Jan.	—	7.28	7.66	8.13	Jan.	6.55	6.78	7.35	7.60	Jan.	—	—	—	—
Feb.	7.32	6.51	6.95	7.37	7.89	7.62	7.02	—	Feb.	—	7.14	7.54	8.18	Feb.	6.51	6.76	7.20	7.59	Feb.	—	—	—	—
Mar.	7.57	6.81	7.22	7.62	8.11	7.83	7.30	—	Mar.	—	7.42	7.76	8.32	Mar.	6.81	7.02	7.47	7.89	Mar.	—	—	—	—
Apr.	7.49	6.76	7.16	7.49	8.04	7.74	7.23	—	Apr.	—	7.38	7.57	8.26	Apr.	6.76	6.93	7.40	7.81	Apr.	—	—	—	—
May	7.49	6.75	7.20	7.43	8.09	7.76	7.22	—	May	—	7.43	7.52	8.33	May	6.75	6.95	7.33	7.84	May	—	—	—	—
June	7.36	6.64	7.08	7.25	7.96	7.67	7.06	—	June	—	7.33	7.42	8.26	June	6.64	6.83	7.09	7.67	June	—	—	—	—
July	7.27	6.53	6.98	7.14	7.90	7.54	6.99	—	July	—	7.22	7.31	8.02	July	6.53	6.74	6.97	7.71	July	—	—	—	—
Aug.	7.06	6.37	6.84	6.95	7.58	7.34	6.77	—	Aug.	—	7.10	7.17	7.74	Aug.	6.37	6.57	6.73	7.42	Aug.	—	—	—	—
Sep.	6.87	6.15	6.63	6.76	7.40	7.23	6.51	—	Sep.	—	6.98	7.08	7.62	Sep.	6.15	6.47	6.43	7.17	Sep.	—	—	—	—
Oct.	7.08	6.33	6.74	6.93	7.74	7.43	6.72	—	Oct.	—	7.07	7.23	8.00	Oct.	6.33	6.40	6.67	7.48	Oct.	—	—	—	—
Nov.	7.01	6.31	6.71	6.89	7.62	7.31	6.70	—	Nov.	—	7.03	7.14	7.76	Nov.	6.31	6.39	6.63	7.47	Nov.	—	—	—	—
Dec.	6.90	6.21	6.63	6.80	7.45	7.20	6.59	—	Dec.	—	6.94	7.07	7.61	Dec.	6.21	6.92	6.53	7.28	Dec.	—	—	—	—
2003																							
Jan.	6.84	6.17	6.59	6.76	7.35	7.13	6.54	—	Jan.	—	6.87	7.06	7.47	Jan.	6.17	6.30	6.46	7.23	Jan.	—	—	—	—
Feb.	6.62	5.95	6.34	6.69	7.06	6.92	6.31	—	Feb.	—	6.66	6.93	7.17	Feb.	5.95	6.02	6.33	6.94	Feb.	—	—	—	—
Mar.	6.53	5.89	6.28	6.54	6.95	6.80	6.26	—	Mar.	—	6.56	6.79	7.05	Mar.	5.89	6.04	6.30	6.84	Mar.	—	—	—	—
Apr.	6.44	5.74	6.22	6.45	6.85	6.68	6.18	—	Apr.	—	6.47	6.64	6.94	Apr.	5.74	5.97	6.26	6.76	Apr.	—	—	—	—
May	6.02	5.22	5.85	6.08	6.38	6.35	5.70	—	May	—	6.20	6.36	6.47	May	5.22	5.48	5.79	6.29	May	—	—	—	—
June	5.85	4.97	5.72	5.92	6.19	6.21	5.49	—	June	—	6.12	6.21	6.30	June	4.97	5.31	5.62	6.07	June	—	—	—	—
July	6.26	5.49	6.07	6.34	6.62	6.54	5.98	—	July	—	6.37	6.57	6.67	July	5.49	5.77	6.11	6.56	July	—	—	—	—
Aug.	6.57	5.87	6.31	6.63	7.01	6.78	6.35	—	Aug.	—	6.48	6.78	7.08	Aug.	5.87	6.13	6.48	6.92	Aug.	—	—	—	—
Sep.	6.37	5.72	6.13	6.42	6.79	6.58	6.16	—	Sep.	—	6.30	6.56	6.87	Sep.	5.72	5.93	6.27	6.71	Sep.	—	—	—	—
Oct.	6.32	5.70	6.11	6.33	6.73	6.50	6.14	—	Oct.	—	6.28	6.43	6.79	Oct.	5.70	5.94	6.23	6.67	Oct.	—	—	—	—
Nov.	6.27	5.65	6.08	6.28	6.66	6.44	6.09	—	Nov.	—	6.26	6.37	6.69	Nov.	5.65	5.91	6.18	6.63	Nov.	—	—	—	—
Dec.	6.20	5.65	6.02	6.19	6.60	6.36	6.04	—	Dec.	—	6.18	6.27	6.61	Dec.	5.62	5.85	6.11	6.58	Dec.	—	—	—	—
2004																							
Jan.	6.08	5.54	5.91	6.08	6.44	6.23	5.92	—	Jan.	—	6.06	6.15	6.47	Jan.	5.54	5.74	6.02	6.40	Jan.	—	—	—	—
Feb.	6.00	5.50	5.87	6.04	6.27	6.17	5.83	—	Feb.	—	6.10	6.15	6.28	Feb.	5.60	5.63	5.93	6.24	Feb.	—	—	—	—
Mar.	5.84	5.33	5.70	5.86	6.11	6.01	5.67	—	Mar.	—	5.93	5.97	6.12	Mar.	5.33	5.48	5.75	6.10	Mar.	—	—	—	—
Apr.	6.22	5.73	6.10	6.25	6.46	6.38	6.05	—	Apr.	—	6.33	6.35	6.48	Apr.	5.73	5.83	6.15	6.45	Apr.	—	—	—	—
May	6.51	6.04	6.40	6.54	6.75	6.68	6.34	—	May	—	6.66	6.62	6.75	May	6.04	6.13	6.45	6.73	May	—	—	—	—
June	6.42	6.01	6.21	6.42	6.78	6.53	6.31	—	June	—	6.36	6.46	6.84	June	6.01	6.12	6.37	6.72	June	—	—	—	—
July	6.24	5.82	6.02	6.29	6.62	6.34	6.13	—	July	—	6.09	6.27	6.67	July	5.82	5.94	6.18	6.57	July	—	—	—	—
Aug.	6.08	5.65	5.87	6.08	6.48	6.18	5.98	—	Aug.	—	5.95	6.14	6.45	Aug.	5.65	5.79	6.02	6.47	Aug.	—	—	—	—
Sep.	5.91	5.46	5.73	5.91	6.27	6.01	5.81	—	Sep.	—	5.79	5.98	6.27	Sep.	5.46	5.67	5.84	6.27	Sep.	—	—	—	—
Oct.	5.87	5.47	5.69	5.86	6.21	5.95	5.78	—	Oct.	—	5.74	5.94	6.17	Oct.	5.47	5.63	5.78	6.24	Oct.	—	—	—	—
Nov.	5.89	5.52	5.72	5.88	6.21	5.97	5.80	—	Nov.	—	5.79	5.97	6.16	Nov.	5.52	5.63	5.78	6.25	Nov.	—	—	—	—
Dec.	5.84	5.47	5.69	5.82	6.15	5.93	5.75	—	Dec.	—	5.78	5.92	6.10	Dec.	5.47	5.60	5.72	6.20	Dec.	—	—	—	—
2005																							
Jan.	5.72	5.36	5.58	5.68	6.02	5.80	5.63	—	Jan.	—	5.68	5.78	5.95	Jan.	5.36	5.48	5.58	6.08	Jan.	—	—	—	—
Feb.	5.55	5.20	5.44	5.51	5.82	5.64	5.45	—	Feb.	—	5.55	5.61	5.76	Feb.	5.20	5.32	5.40	5.87	Feb.	—	—	—	—
Mar.	5.77	5.40	5.64	5.73	6.06	5.86	5.67	—	Mar.	—	5.76	5.83	6.01	Mar.	5.40	5.53	5.63	6.11	Mar.	—	—	—	—
Apr.	5.65	5.33	5.44	5.58	6.05	5.72	5.58	—	Apr.	—	5.56	5.64	5.95	Apr.	5.33	5.31	5.52	6.15	Apr.	—	—	—	—
May	5.54	5.15	5.29	5.49	6.01	5.60	5.48	—	May	—	5.39	5.53	5.88	May	5.15	5.18	5.45	6.13	May	—	—	—	—
June	5.35	4.96	5.03	5.33	5.86	5.39	5.31	—	June	—	5.06	5.40	5.70	June	4.96	4.99	5.26	6.01	June	—	—	—	—

Notes: Moody's® Long-Term Corporate Bond Yield Averages have been published daily since 1929. They are derived from pricing data on a regularly-replenished population of nearly 75 seasoned corporate bonds in the US market, each with current outstandings over $100 million. The bonds have maturities as close as possible to 30 years; they are dropped from the list if their remaining life falls below 20 years, if their ratings change. Bonds with deep discounts or steep premiums to par are generally excluded. All yields are yield-to-maturity calculated on a semi-annual basis. Each observation is an unweighted average, with Average Corporate Yields representing the unweighted average of the corresponding Average Industrial and Average Public Utility observations. Because of the dearth of Aaa-rated railroad term bond issues, Moody's® Aaa railroad bond yield average was discontinued as of December 18, 1967. Moody's® Aaa public utility average suspended from Jan. 1984 thru Sept. 1984, Oct. 1984 figure for last 14 business days only. The Railroad Bond Averages were discontinued as of July 17, 1989 because of insufficient frequently tradable bonds. The July figures were based on 8 business days.

Moody's® Yield Averages

Corporate Bond Yield Averages - Monthly-to-Date

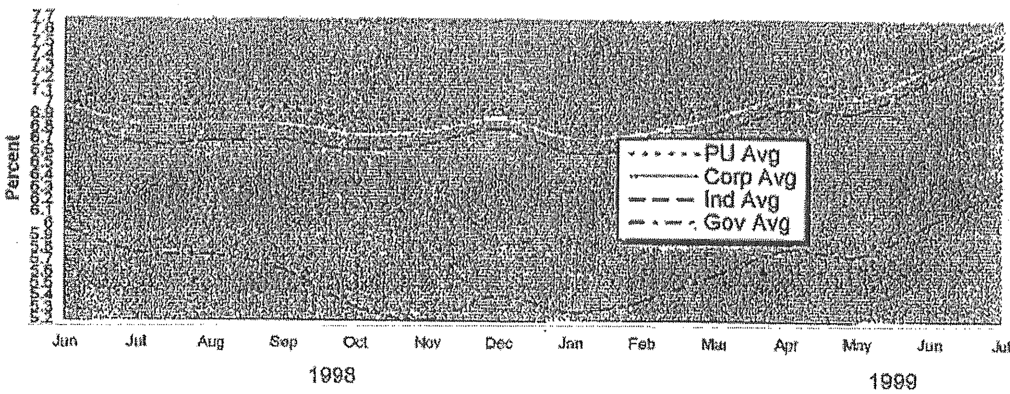
1999	Corporate					Industrial					Public Utility				
Month	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa
January	6.76	6.24	6.68	6.84	7.29	6.65	6.07	6.54	6.70	7.27	6.87	6.41	6.82	6.97	7.30
February	6.89	6.40	6.79	6.97	7.39	6.77	6.23	6.64	6.84	7.37	7.00	6.56	6.94	7.09	7.41
March	7.07	6.62	6.98	7.14	7.53	6.98	6.46	6.83	7.02	7.51	7.18	6.78	7.11	7.26	7.55
April	7.05	6.64	6.96	7.13	7.48	6.94	6.46	6.81	7.03	7.45	7.16	6.80	7.11	7.22	7.51
May	7.32	6.93	7.23	7.40	7.72	7.22	6.77	7.07	7.33	7.70	7.42	7.09	7.38	7.47	7.74
June	7.62	7.23	7.52	7.69	8.02	7.53	7.09	7.37	7.64	8.00	7.70	7.37	7.67	7.74	8.03

1999	Corporate					Industrial					Public Utility				
Weekly	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa	Avg	Aaa	Aa	A	Baa
June 28	7.69	7.32	7.59	7.77	8.09	7.61	7.20	7.44	7.72	8.08	7.77	7.43	7.74	7.81	8.10
29	7.66	7.27	7.56	7.74	8.05	7.57	7.15	7.41	7.69	8.03	7.74	7.39	7.71	7.78	8.07
30	7.59	7.21	7.49	7.67	7.99	7.50	7.08	7.34	7.62	7.97	7.67	7.33	7.64	7.72	8.00
July 1	7.59	7.20	7.49	7.68	7.98	7.50	7.07	7.34	7.61	7.96	7.67	7.32	7.63	7.71	8.00
2	7.57	7.18	7.47	7.65	7.96	7.48	7.05	7.32	7.59	7.94	7.65	7.30	7.62	7.70	7.98
3	Sat.														
4	Sun.														
Monthly-to-Date Avg.	7.58	7.19	7.48	7.66	7.97	7.49	7.09	7.33	7.60	7.95	7.66	7.31	7.63	7.71	7.99
High	7.59	7.20	7.49	7.66	7.98	7.50	7.07	7.34	7.61	7.96	7.67	7.32	7.63	7.71	8.00
Low	7.57	7.18	7.47	7.65	7.96	7.48	7.05	7.32	7.59	7.94	7.65	7.30	7.62	7.70	7.98

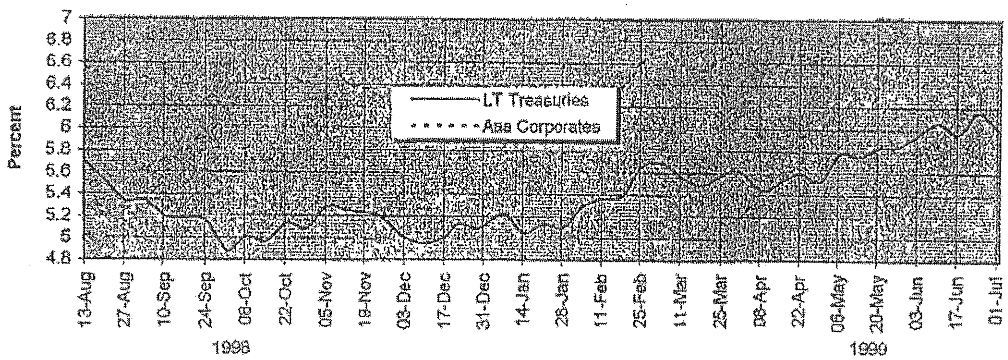
Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

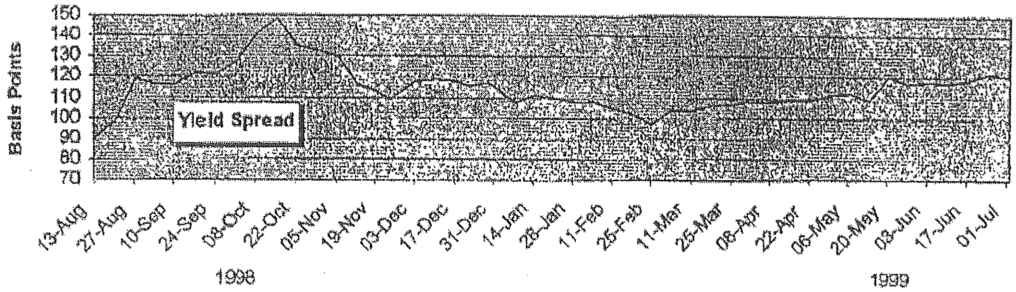
Moody's® Yield Averages

Corporate Bond Yield Averages



U.S. Treasury Bond Yields vs Aaa Corporate Bond Yields





Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

Moody's® Yield Averages

Public Utility Preferred Stock Yield Averages - Weekly

Date	"aa"	"a"	"baa"
1999			
April 1	6.20	6.55	7.58
April 9	6.21	6.52	7.55
April 16	6.08	6.57	7.57
April 23	6.12	6.46	7.56
April 30	6.16	6.55	7.55
May 7	6.17	6.51	7.52
May 14	6.26	6.59	7.56
May 21	6.25	6.65	7.52
May 28	6.31	6.69	7.54
June 4	6.26	6.77	7.57
June 11	6.32	6.65	7.68
June 18	6.32	6.69	7.64
June 25	6.23	6.65	7.66

Preferred stock yields averages are Friday figures. There are no "aaa" averages because of the dearth of prime quality preferred stocks.

Municipal Bond Yield Averages - Weekly/Monthly

1999	10 Year			20 Year				
Monthly	Aaa	Aa	Composite	Aaa	Aa	A	Baa	VMIG
January	4.10	4.19	5.01	4.85	4.94	5.06	5.21	2.85
February	4.10	4.17	5.01	4.83	4.90	5.06	5.24	2.54
March	4.30	4.34	5.11	4.96	5.03	5.12	5.32	2.99
April	4.23	4.31	5.06	4.87	5.00	5.10	5.26	3.39
May	4.44	4.50	5.23	5.05	5.15	5.29	5.43	3.46
June	4.75	4.80	5.39	5.23	5.30	5.42	5.60	3.32

1999	10 Year			20 Year				
Weekly	Aaa	Aa	Composite	Aaa	Aa	A	Baa	VMIG
April 1	4.31	4.37	5.13	4.97	5.08	5.14	5.34	3.00
April 8	4.25	4.35	5.08	4.93	5.03	5.11	5.25	2.83
April 15	4.20	4.27	5.04	4.85	4.98	5.07	5.25	3.21
April 22	4.23	4.31	5.05	4.85	4.99	5.08	5.26	3.54
April 29	4.22	4.32	5.07	4.86	4.99	5.15	5.27	3.98
May 6	4.40	4.46	5.19	5.00	5.12	5.25	5.39	3.66
May 13	4.41	4.46	5.19	5.01	5.10	5.26	5.39	3.55
May 20	4.40	4.49	5.25	5.07	5.18	5.31	5.43	3.38
May 27	4.54	4.60	5.29	5.12	5.21	5.35	5.49	3.24
June 3	4.60	4.68	5.32	5.14	5.25	5.38	5.52	2.91
June 10	4.64	4.70	5.38	5.20	5.30	5.43	5.57	3.21
June 17	4.80	4.85	5.39	5.25	5.31	5.40	5.60	3.38
June 24	4.83	4.87	5.43	5.27	5.33	5.45	5.66	3.69
July 1	4.86	4.90	5.41	5.27	5.31	5.43	5.64	3.39

Municipal Bond Yield Averages are based on 10 and 20 year reoffering yields on selected general obligations.
VMIG averages are the mean of weekly rates determined and supplied to Moody's® by various remarketing agents.

Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

Securities used in Moody's® Corporate Bond Yield Averages

Industrials

Aaa

Issuer	Coupon	Maturity	Rating
Bristol-Myers Squibb Co.	7.15	06/15/23	Aaa
Johnson & Johnson	6.73	11/15/23	Aaa
United Parcel Service of America, Inc.	8.375	04/01/20	Aaa

Aa

Issuer	Coupon	Maturity	Rating
AT&T Corp.	8.125	07/15/24	Aa3
Boeing Co.	8.75	08/15/21	Aa3
du Pont (E.I.) de Nemours & Co.	7.50	03/01/33	Aa3
Kimberly-Clark Corp.	7.875	02/01/23	Aa2
McDonald's Corp.	7.375	07/15/33	Aa2
Mobil Corp.	8.625	08/15/21	Aa2
Motorola Inc.	8.40	08/15/31	Aa3
~~Procter & Gamble Co.~~	~~7.375~~	~~03/01/23~~	~~Aa2~~
Wal-Mart Stores Inc.	6.75	10/15/23	Aa2

A

Issuer	Coupon	Maturity	Rating
American Home Products Corp.	7.25	03/01/23	A2
Anheuser-Busch Companies, Inc.	7.375	07/01/23	A1
Arrow Electronics, Inc.	7.50	01/15/27	A2
Atlantic Richfield Co.	8.75	03/01/32	A2
Baxter International Inc.	7.65	02/01/27	A3
Caterpillar Inc.	8.00	02/15/23	A2
Chrysler Corp.	7.45	03/01/27	A3
Coca-Cola Enterprises Inc.	6.75	09/15/23	A3
Cooper Tire & Rubber Co.	7.625	03/15/27	A1
Dow Chemical Co.	7.375	03/01/23	A1
Eastman Chemical Co.	7.60	02/01/27	A3
Equitable Resources Inc.	7.75	07/15/26	A2
Ford Motor Co.	8.875	01/15/22	A1
Hershey Foods Corp.	8.80	02/15/21	A1
International Business Machines Corp.	8.375	11/01/19	A1
International Paper Co.	6.875	11/01/23	A3
Loral Corp.	8.375	01/15/23	A3
May Department Stores Co.	7.875	08/15/36	A2
Penney (J.C.) Inc.	7.125	11/15/23	A2
Philip Morris Companies, Inc.	7.75	01/15/27	A2
Phillips Petroleum Co.	8.49	01/01/23	A3
Seagram Ltd	8.35	01/15/22	A2
Texaco Capital Inc.	6.875	08/15/23	A1
Toys 'R' US, Inc.	8.75	09/01/21	A1
United Technologies Corp.	8.75	03/01/21	A2

Public Utilities

Aaa

Issuer	Coupon	Maturity	Rating
BellSouth Telecommunications, Inc.	6.75	10/15/33	Aaa
Chesapeake & Potomac Tel. Co. of VA	7.00	07/15/25	Aaa
Chesapeake & Potomac Tel. Co. of VA	7.875	01/15/22	Aaa
New Jersey Bell Telephone Co.	7.25	03/01/23	Aaa
New Jersey Bell Telephone Co.	5.80	12/15/24	Aaa
Ohio Bell Telephone Co.	7.85	12/15/22	Aaa
Wisconsin Bell Telephone Co.	6.75	08/15/24	Aaa

Aa

Issuer	Coupon	Maturity	Rating
Bell Telephone Co. of PA	7.375	03/15/33	Aa1
Dayton Power & Light Co.	7.875	02/15/24	Aa3
Duke Energy Corp.	7.375	03/01/23	Aa3
Duke Energy Corp.	6.75	08/01/25	Aa3
Florida Power & Light Co.	7.05	12/01/26	Aa3
Florida Power & Light Co.	7.00	09/01/25	Aa3
Florida Power Corp.	7.00	12/01/23	Aa3
~~Illinois Bell Telephone Co.~~	~~7.25~~	~~03/15/24~~	~~Aa1~~
Michigan Bell Telephone Co.	7.50	02/15/23	Aa1
National Rural Utilities Coop. Fin. Corp.	7.35	11/01/26	Aa3
New England Tel. & Tel. Co.	6.875	10/01/23	Aa2
Northern States Power Co. (WI)	7.375	12/01/26	Aa3
Southwestern Bell Telephone Co.	7.625	03/01/23	Aa3
Southwestern Bell Telephone Co.	6.625	09/01/24	Aa3
US West Communications Inc.	6.875	09/15/33	Aa3
US West Communications Inc.	7.125	11/15/43	Aa3
Wisconsin Electric Power Co.	7.75	01/15/23	Aa2

A

Issuer	Coupon	Maturity	Rating
Alabama Power Co.	7.45	07/01/23	A1
Alabama Power Co.	7.30	11/01/23	A1
Baltimore Gas & Electric Co.	7.50	03/01/23	A1
Carolina Power & Light Co.	7.50	03/01/23	A2
Carolina Power & Light Co.	8.875	08/15/23	A2
Consolidated Edison Co. of NY, Inc.	8.05	12/15/27	A1
Georgia Power Co.	7.75	04/01/23	A1
Houston Lighting & Power Co.	7.75	03/15/23	A3
New York Telephone Co.	7.00	12/01/33	A2
New York Telephone Co.	7.625	02/01/23	A2
Pacific Bell	6.625	10/15/34	A1
Pacific Gas & Electric Co.	7.25	03/01/26	A2
Pennsylvania Power & Light Co.	7.875	02/01/23	A3
Potomac Electric Power Co.	6.875	09/01/23	A1
Public Service Electric & Gas Co.	7.00	09/01/24	A3
Public Service Electric & Gas Co.	7.50	03/01/23	A3
Southern California Edison Co.	7.125	07/15/25	A1
Southern California Gas Co.	6.875	11/01/25	A1
Virginia Electric & Power Co.	6.75	10/01/23	A2
West Penn Power Co.	7.875	09/01/22	A1

Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

Securities used in Moody's® Corporate Bond Yield Averages

Industrials

Baa

Issuer	Coupon	Maturity	Rating
Burlington Northern Inc.	7.50	07/15/23	Baa2
Coastal Corp.	7.42	02/15/37	Baa3
Dayton Hudson Corp.	7.875	06/15/23	Baa1
Fruit of the Loom	7.375	11/15/23	Baa3
Georgia-Pacific Corp.	8.25	03/01/23	Baa2
James River Corp.	7.75	11/15/23	Baa3
Kansas City Southern Industries, Inc.	8.80	07/01/22	Baa2
MAPCO Inc.	7.70	03/01/27	Baa2
NGC Corp.	7.625	10/15/26	Baa2
Noble Affiliates, Inc.	8.00	04/01/27	Baa2
Ralston Purina Co.	8.125	02/01/23	Baa1
Rite Aid Corp.	7.70	02/15/27	Baa1
Tennessee Gas Pipeline Co.	7.625	04/01/37	Baa3
Union Carbide Chemicals & Plastics Co.	8.75	08/01/22	Baa2

Public Utilities

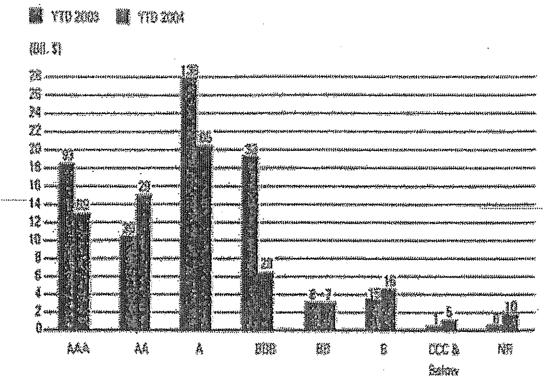
Baa

Issuer	Coupon	Maturity	Rating
Arizona Public Service Co.	8.00	02/01/25	Baa1
Arkansas Power & Light Co.	7.00	10/01/23	Baa2
Boston Edison Co.	7.80	03/15/23	Baa2
Commonwealth Edison Co.	7.75	07/15/23	Baa2
Consumers Energy Co.	7.375	09/15/23	Baa3
El Paso Natural Gas Co.	7.50	11/15/26	Baa2
GTE Corp.	8.75	11/01/21	Baa1
GTE Corp.	7.90	02/01/27	Baa1
Gulf States Utilities Co.	8.70	04/01/24	Baa3
Illinois Power Co.	8.00	02/15/23	Baa1
Philadelphia Electric Co.	7.75	03/01/23	Baa1
Texas Utilities Electric Co.	7.875	03/01/23	Baa2
US West Capital Funding Inc.	7.90	02/01/27	Baa1
UtiliCorp United Inc.	8.00	03/01/23	Baa3

Note: Moody's® Ratings are subject to change. Because of possible lapse between Moody's® assignment or change of a rating and your use of this weekly publication, we suggest that you verify the current rating of any security or issuer in which you are interested. CUSIPS are included when available.

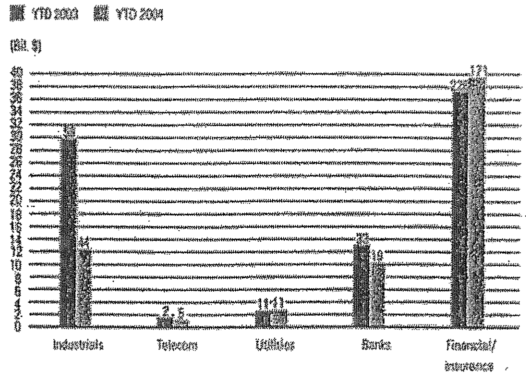
Number of New Issues and Dollar Volume

By Rating Category



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

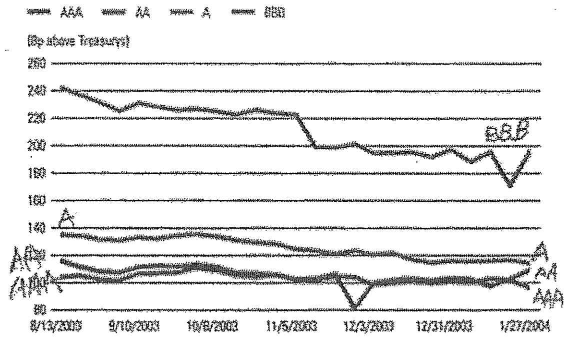
By Sector



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

Spread to Treasury by Rating Category

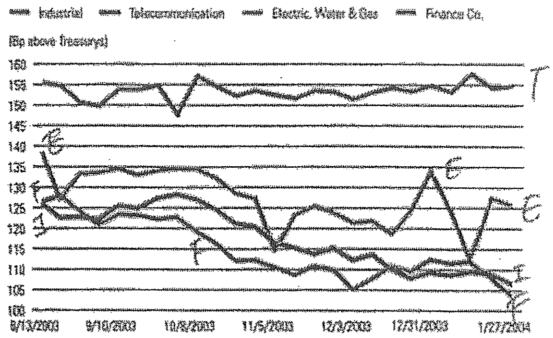
U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues, 8+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
1/20/2004	102	103	117	171
1/27/2004	96	109	115	198

Sector Relative Value Rating Category 'A'.



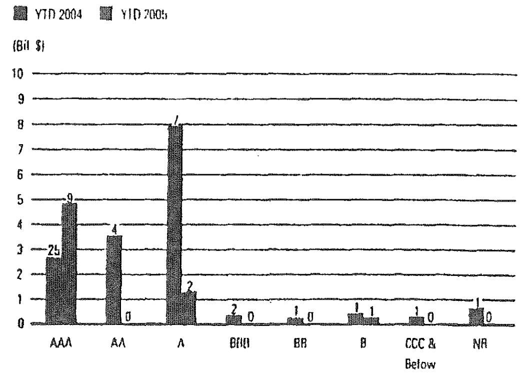
5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
1/20/2004	109	154	128	108
1/27/2004	107	155	126	104

Feb 4, 2004

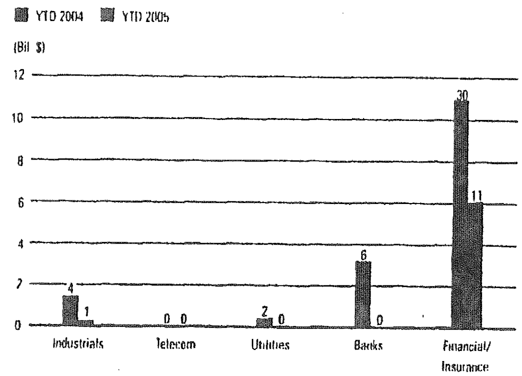
Number of New Issues and Dollar Volume

By Rating Category



Includes all public and Rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium term notes by financial and nonfinancial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial

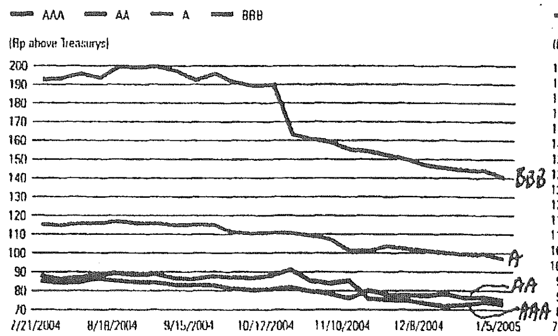
By Sector



Includes all public and Rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and nonfinancial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial

Spread to Treasury by Rating Category

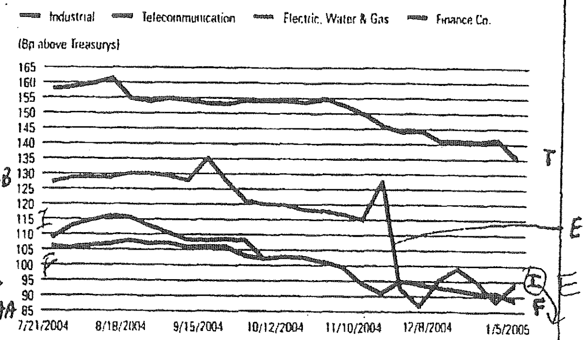
U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. Nine plus years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
12/28/2004	74	76	99	144
1/5/2005	73	75	97	140

Sector Relative Value Rating Category 'A'

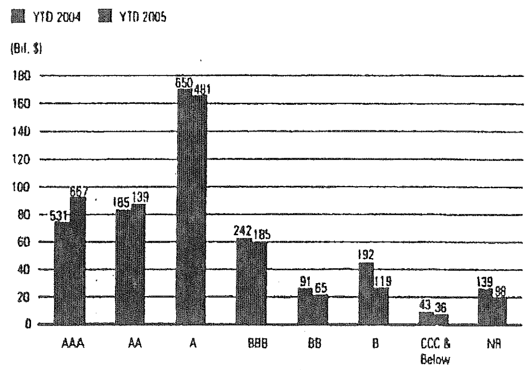


Five plus years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
12/28/2004	91	141	88	91
1/5/2005	89	135	94	89

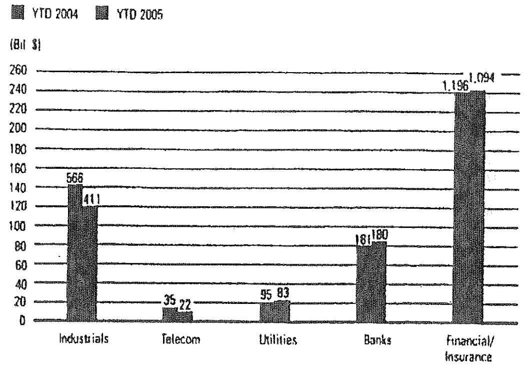
Number Of New Issues And Dollar Volume

By Rating Category



Includes all public and Rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and nonfinancial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

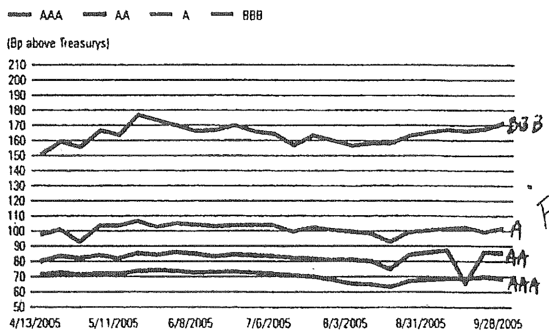
By Sector



Includes all public and Rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and nonfinancial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

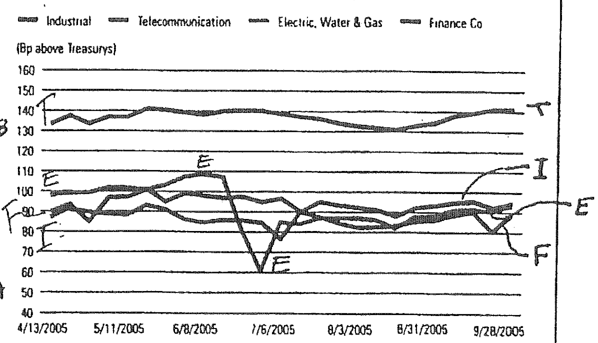
Spread To Treasury By Rating Category

U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. Nine plus years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Relative Value Rating Category 'A'



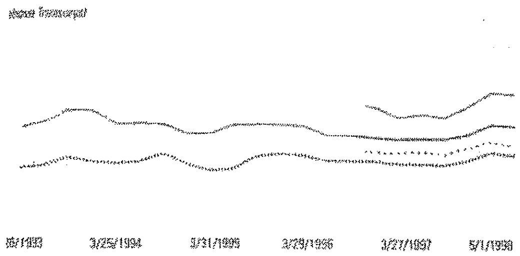
Five plus years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
9/21/2005	70	86	99	168
9/28/2005	69	86	102	171

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
9/21/2005	92	141	90	80
9/28/2005	94	141	93	89

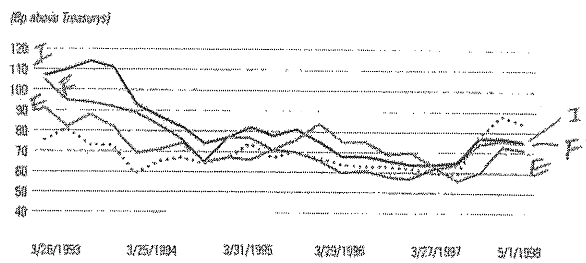
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



ncludes Yankee bond issues. 8+ years to maturity and minimum $100 million outstanding.
e. *Standard & Poor's Fixed Income Research—BondComp.*

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

ustrials spreads (bp)	AAA	AA	A	BBB
	82	72	94	128
	81	72	93	128

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
4/24/1998	74	84	72	74
5/1/1998	75	84	71	75

NEW RATINGS

s-Illinois Inc. [BB+/Stable/—]

50 mil sr nts due 2005	BB+
50 mil sr nts due 2018	BB+
00 mil sr nts due 2008	BB+
00 mil sr nts due 2010	BB+
50 mil pfd stk	BB-

l Health Plans, Inc. *Local Currency* [B-/Stable/—]

edit rating *Local Currency*	B-/Stable/—
50 mil term loan due 2003	B-
00 mil 11% nts due 05/15/2005	B-

elsus HealthCare Corp. [B+/Stable/—]

80 mil reducing revolving credit fac bank ln due 2003	B+
5 mil tranche a term bank ln due 2000	B+
0 mil tranche b term bank ln due 2004	B+

co Inc. [A/Stable/A-1]

5 mil 6.5% callable debt secs due 05/22/2013	A

um Technology, Inc. [B+/Positive/—]

150 mil 6.25% conv sub nts due 12/15/2002	B-

unding Corp. [A-/Stable/A-2]

40 mil 6.5% sub nts due 05/01/2008 (Gtd: PNC Bank Corp.)	BBB+

al (Republic of) [AA-/Positive/A-1+]

M1 bil 5.375% bnds due 06/23/2008	AA-
F4 bil 5.375% bnds due 06/23/2008	AA-

clos de Energia, S.A. de C.V.

3 4 mil sr secd nts due 2013	BB

Service Co. of Colorado [A-/Positive/A-2]

50 mil shelf Sr Secd/Sr Unsecd/Pfd Stk Debt 03/06/1998:

d stk (prelim)	BBB+
secd (prelim)	A
unsecd (prelim)	BBB+

Service Electric & Gas Co. [A-/Negative/A-2]

45 mil 7.5% 1st and rfdg mktable mtg bnds ser YY due 2023	A-

c (Province of) *Local Currency* [A+/Stable/—]
n Currency [A+/Stable/A-1+]

M200 mil flig rate nts due 03/03/2008	A+
F2 bil 5.25% bnds due 12/13/2004	A+

Rabobank Nederland N.V. [AAA/Stable/A-1+]

NLG750 mil 5.25% bnds due 03/12/2013	AAA
ZAR2 bil zero cpn nts due 12/30/2020	AAAr

Radio e Televisao Bandeirantes de Minas Gerais [B-/Stable/—]

credit rating	B-/Stable/—

Radio e Televisao Bandeirantes do Rio de Janeiro [B-/Stable/—]

credit rating	B-/Stable/—

Radio e Televisao Bandeirantes Ltda. [B-/Stable/—]

credit rating	B-/Stable/—
$100 mil nts due 2006 (Gtd: Radio e Televisao Bandeirantes do Rio de Janeiro, Gtd: Radio e Televisao Portovisao Ltda., Gtd: Radio Educadora de Campinas Ltda., Gtd: Radio e Televisao Bandeirantes de Minas Gerais)	B-

Radio e Televisao Portovisao Ltda. [B-/Stable/—]

credit rating	B-/Stable/—

Radio Educadora de Campinas Ltda. [B-/Stable/—]

credit rating	B-/Stable/—

Recycling Industries, Inc. [B/Stable/—]

credit rating	B/Stable/—
$250 mil sr nts due 2006	B-

Rental Service Corp. [BB/Positive/—]

credit rating	BB/Positive/—
$100 mil term bank ln due 2004	BB
$200 mil sr sub nts due 2008	B+
$500 mil revolving credit facility bank ln due 2002	BB

Reseau Ferre de France [AAA/Stable/A-1+]

NLG1 bil 5.25% bnds due 04/14/2010	AAA

Rural Cellular Corp. [B+/Stable/—]

credit rating	B+/Stable/—
$100 mil sr exchgble pfd stk mandatorily redeemable 2010	B-
$100 mil sr secd term ln bank ln	B+
$125 mil sr sub nts due 2008	B-
$200 mil sr secd reducing revolving credit fac bank ln	B+

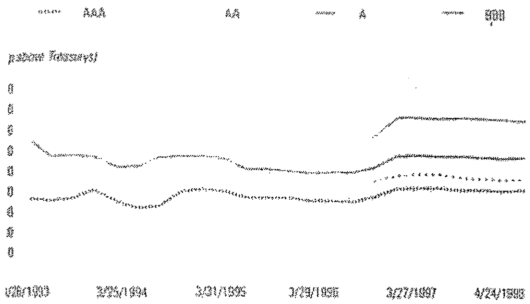
Sabadell International Capital Ltd.

$1 bil Sr Unsecd/Sub med-term note prog 05/01/1998:

sr unsecd (Gtd: Banco Sabadell S.A.)	A/A-1
sub (Gtd: Banco Sabadell S.A.)	A-

SPREAD TO TREASURY BY RATING CATEGORY

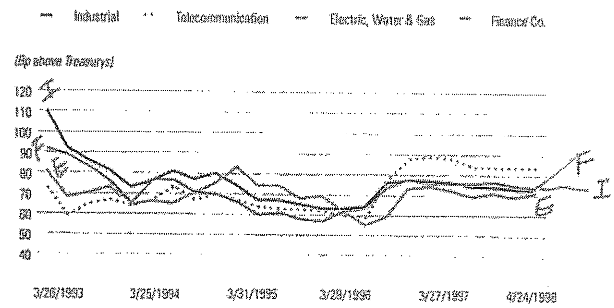
U.S. Industrial Credit Trends By Rating Category



e: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
rce: *Standard & Poor's Fixed Income Research—BondComp.*

ndustrials spreads (bp)	AAA	AA	A	BBB
]	61	71	93	129
]	62	72	94	128

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: *Standard & Poor's Fixed Income Research—BondComp.*

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
4/17/1998	74	84	70	75
4/24/1998	74	84	72	74

NEW RATINGS

ama (Republic of) *Local Currency* [BB+/Stable/—]
eign Currency [BB+/Stable/B]
$300 mil 8.25% nts due 04/22/2008 ..... BB+
$700 mil 8.875% bnds due 09/30/2027 ..... BB+

ular Finance (Cayman) Ltd.
FRF1 bil fltg rate due 04/23/2009 (Gtd Banco Popular Espanol, S.A.) ..... AA

mac Capital Investment Corp. [BBB+/Stable/A-2]
$700 mil med-term note prog due 9 mos and 1 day from 04/28/1998 through 11/30/2008:
sr unsecd ..... BBB+

MESTAR, Inc. [BB-/Stable/—]
credit rating ..... BB-/Stable/—
$400 mil Sr sub nts due 2008 ..... B

al Bank of Scotland PLC [AA-/Stable/A-1+]
FRF1 bil jr sub step-up nts ..... A

ale Belge 1994 SA *Local Currency* [BBBpi/—/—]
credit rating *Local Currency* ..... BBBpi/—/—

and Group Inc. (The) [BB/Stable/—]
$100,000,000 8 1/4% sr sub nts due 2008 ..... B+

sung Electronics America Inc. *Local Currency* [—/—/B]
eign Currency [BB-/Stable/B]
$300 mil nts due 2003 (Gtd: Samsung Electronics Co Ltd.) ..... BB-

dwestdeutsche Landesbank Capital Markets PLC
NZD100 mil 8% nts due 09/07/1999 ..... AAA

eden (Kingdom of) *Local Currency* [AAA/Stable/A-1+]
eign Currency [AA+/Stable/A-1+]
ECU2 bil 5% bnds due 01/28/2009 ..... AA+
FRF500 mil fltg rate nts due 02/19/2008 ..... AA+

edish Export Credit Corp. *Local Currency* [AAA/Stable/A-1+]
eign Currency [AA+/Stable/A-1+]
£40 mil 6.14% nts due 11/21/2000 ..... AA+

iss Bank Corp. (Jersey) [AA+/Stable/A-1+]
¥2.5 bil 4.6% dual curr nts due 12/05/1999 ..... AA+

fonica de Argentina S.A. *Foreign Currency* [BBB-/Stable/—]
$200 mil nts due 2008 ..... BBB-

$1 bil Sr Unsecd med-term note prog 04/29/1998:
sr unsecd ..... BBB-

Tianjin International Trust & Investment Corp. *Local Currency* [BBB-/Stable/—]
credit rating *Local Currency* ..... BBB-/Stable/—

Timken Co. [A/Stable/A-1]
$300 mil med-term nts ser A ..... A

Unibanco-Uniao de Bancos Brasileiros, S.A. *Foreign Currency* [BB-/Stable/B]
3(A)2 CP prog auth amt $150 mil (LOC: Bayerische Vereinsbank AG) ..... A-1+

Volksfuersorge Deutsche Sachvers. AG *Local Currency* [Api/—/—]
credit rating *Local Currency* ..... Api/—/—

Washington Water Power Co. [A/Stable/—]
$250 mil shelf Sr Unsecd Debt 11/05/1997:
sr unsecd (prelim) ..... A-
$250 mil Sr Unsecd med-term note prog ser C due from 9 mos to 40 yrs from 04/24/1998:
sr unsecd ..... A-

Watson Pharmaceuticals, Inc. [BBB-/Stable/—]
$300 mil shelf Debt Secs/Pfd Stk reg 04/01/1998:
pfd stk (prelim) ..... BBB-
sr unsecd (prelim) ..... BBB-

Westpac Banking Corp. [AA-/Stable/A-1+]
CHF200 mil 2.5% bnds due 04/30/2003 ..... AA-

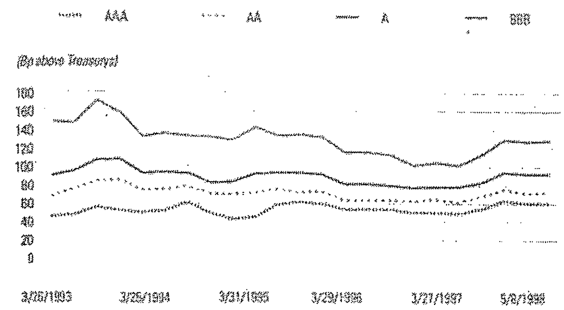
Wilmington Trust Corp. [A/Stable/A-1]
credit rating A/Stable/A-1
$125 mil sub nts due 04/2008 ..... A-

Wisconsin- Michigan Investment Corp. [AA/Stable/—]
$200 mil Sr Unsecd med-term note prog 04/30/1998:
sr unsecd ..... AA

YPF Sociedad Anonima *Foreign Currency* [BBB-/Stable/—]
ECU250 mil med-term nts due 05/2008 ..... BBB-

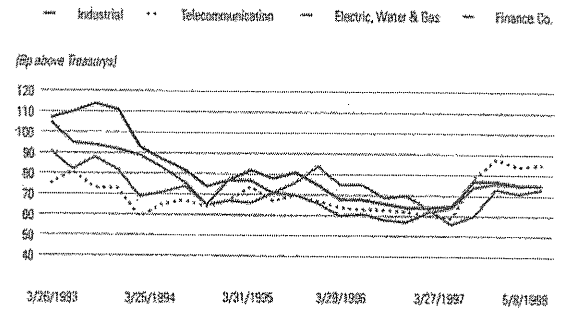
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends
By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector Relative Value
Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
5/15/98	61	72	93	128
5/8/98	61	73	93	129

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
5/15/1998	75	84	71	75
5/8/1998	75	85	73	75

NEW RATINGS

$200 mil 7.05% deb due 05/15/2018	BBB
$425 mil 7.15% deb due 05/15/2028	BBB

Unisys Corp. [B+/Stable/—]
$700 mil shelf Sr Unsecd/Sub/Pfd Stk Debt 05/09/1998:

pfd stk (prelim)	CCC+
sr unsecd (prelim)	B+
sub (prelim)	B-

United Garanti Bank International NV [B+/Stable/—]

credit rating	B+/Stable/—

United Rentals Inc. [BB/Stable/—]

credit rating	BB/Stable/—
$250 mil sr sub nts due 2008	B+
$300 mil bank ln due 03/30/2001	BB

United States Filter Corp. [BBB/Positive/—]

rmktd or redeemable secs (remarketing date May 15, 2003) due 2013	BBB
rmktd or redeemable secs (remarketing date of May 15, 2001) due 2011	BBB

Waste Systems International Inc. [B/Stable/—]

credit rating	B/Stable/—
$60 mil 7% sub nts due 2006	CCC+

Watson Pharmaceuticals, Inc. [BBB-/Stable/—]

$150 mil 7.125% sr nts due 05/15/2008	BBB-

Willamette Industries Inc. [A-/Stable/—]

$300 mil med-term nts ser C	A-

Wilmington Trust Corp. [A/Stable/A-1]
$225 mil Sr Unsecd/Sub Debt 04/28/1998:

sr unsecd (prelim)	A
sub (prelim)	A-

Worms & CIE [—/—/A-1]

credit rating	—/—/A-1
French CP prog auth amt FRF5 bil	A-1

YPF Sociedad Anonima *Foreign Currency* [BBB-/Stable/—]

$100 mil med-term nts due 2002	BBB-

NEW RATINGS/Structured Finance

Citibank Credit Card Master Trust I
CHF $750 mil credit card part certs ser 1998-4 due 10/16/2008:

Class A	AAA

CWMBS Inc.
$219.561 mil mtg pass-thru certs ser 1998-6 due 03/25/2028:

Class A, A-R ($219.46 mil) (liq: Countrywide Home Loans, Inc.)	AAA
Class PO, X ($.11 mil) (liq: Countrywide Home Loans, Inc.)	AAAr

$333.886 mil mtg pass-thru certs ser 1998-7 due 06/25/2028:

Class A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, A-R ($333.69 mil) (liq: Countrywide Home Loans, Inc.)	AAA
Class PO ($.2 mil) (liq: Countrywide Home Loans, Inc.)	AAAr

Discover Card Master Trust I
$526,316,000 credit card pass-thru certs ser 1998-4 due 10/15/2003:

Class A ($500 tri)	AAA
Class B ($26.32 tri)	A

European Mortgage Securities II BV
FRF 1 Bil sr Class A1 asset-bckd nts due 2048:

Class A1 (Gtd: General Re Corp.)	AAA

FRF 260 Mil mezzanine Class M asset-bckd nts due 2048:

Class M (Gtd: General Re Corp.)	A

NLG 1 Bil sr Class A2 asset-bckd nts due 2048:

Class A2 (Gtd: General Re Corp.)	AAA
NLG 40 Mil jr Class C nts due 2048	BBB

First Security Auto Grantor Trust 1998-A
$500,650,031 asset-bckd certs ser 1998-A due 04/15/2004:

Class A ($478.12 tri)	AAA
Class B ($22.53 tri)	A

Lease Assets Backed Securities II B.V.
NLG300 mil class A 4.5% nts ser 1998 due 12/31/2010:

Class A	AAA

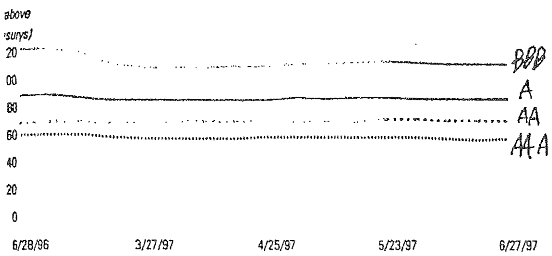
NLG900 mil class B 4.75% nts ser 1998 due 10/08/2012:

Class B	AAA

SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category

AAA AA A BBB

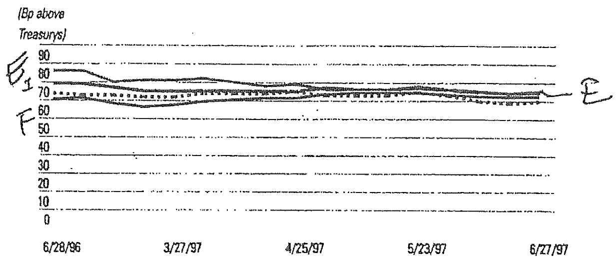


Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
e: *Standard & Poor's Fixed Income Research—BondComp.*

lustrials spreads (bp)	AAA	AA	A	BBB
	50	65	79	105
	51	65	79	105

Sector Relative Value Rating Category 'A'

Industrials Telecom Electric, Water & Gas Independent finance cos.



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
6/20/97	63	59	61	62
6/27/97	64	60	63	62

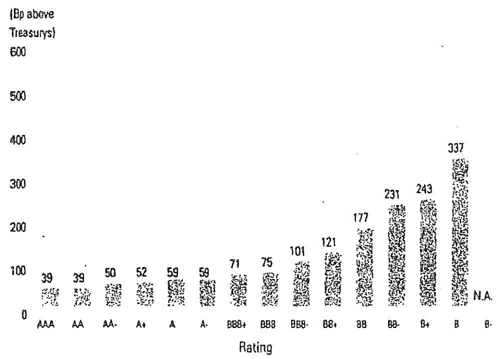
REVISED RATINGS

	To	From
din Income Growth Investment Trust PLC		
redit rating	—	—/—/A-1+
Sterling CP program auth amt 75 mil. ENGLISH POUND	—	A-1+
Ltd. [A/Watch Neg/A-1]		
redit rating	A/Watch Neg/A-1	A/Negative/A-1
AUSTRALIAN CP prog auth amt A$150 mil	A-1/Watch Neg	A-1
ean Inc.		
$46 mil 7.5% conv sub nts due 08/01/2001 (Gtd: Waste Management Inc.)	A-	A/Watch Neg
i-Centers of America Inc. [BB-/Stable/—]		
$75 mil 6.25% conv sub debs due 03/01/2002	—	B
ll Lines Inc.		
$7.83 mil 8.35% U.S. govt gtd Ship Fin Bd Austral Envoy due 06/29/1997	—	AAA
USA Bank, Wilmington [AA/Negative/A-1+]		
redit rating	AA/Negative/A-1+	BBB-/Watch Pos/A-3
$150 mil 7.65% nts due 08/01/2003	AA-	BB+/Watch Pos
$1.5 bil bank note program 7 days to 15 years: sr unsecd	AA/A-1+	BBB-/A-3/Watch Pos
$10 bil Bank Note Program due 7 days to 15 yrs : sr unsecd	AA/A-1+	BBB-/A-3/Watch Pos
$1000 mil med-term dep nts prog due 9 mos to 15 yrs: sr unsecd	AA/A-1+	BBB-/A-3/Watch Pos
$5 bil bank note prog due 7 days to 15 yrs: sr unsecd	AA/A-1+	BBB-/A-3/Watch Pos
$5 bil Deposit Note Program due 9 mos to 15 yrs: sr unsecd	BB	BBB-/Watch Pos
USA Capital Trust I		
$200 mil 9.33% cap secs	A	BB-/Watch Pos
USA Inc. [AA-/Negative/—]		
redit rating	AA-/Negative/—	BB+/Watch Pos/—
5.2 mil 6.25% shares of cum converible pfd stk	Ar	BB-r/Watch Pos
ing Companies Inc. [BB/Stable/—]		
$200 mil fltg rate sr nts due 12/15/2001	BB-	B+
$300 mil 10.625% sr nts due 12/15/2001	BB-	B+

REVISED RATINGS

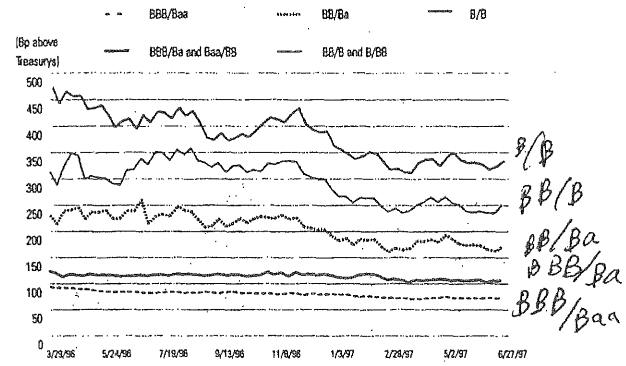
	To	From
$150 mil med-term nts due 9 mos to 15 yrs med-term nts : sr unsecd	—	B+
$290 mil Sr Unsecd med-term note prog ser C due from 9 mos to 30 yrs: sr unsecd	BB-	B+
$644.5 mil med-term nts ser B due 9 mos to 15 yrs med-term nts ser B : sr unsecd	—	B+
Florida Power Corp. [AA-/Negative/A-1+]		
$200 mil med-term nts: sr unsecd	—	A+
FPL Group Capital Inc. [A/Stable/A-1]		
$150 mil 6.5% debs due 07/01/1997 (Gtd: FPL Group Inc.)	—	A+
General Host Corp. [B-/Negative/—]		
$40 mil revolving credit fac bank ln due 06/30/1997	—	B-
Great Western Bank, A FSB, Chatsworth, CA [A-/Stable/A-2]		
$200 mil 9.5% nts due 07/01/1997	—	A-
Harcourt General Inc. [BBB+/Stable/—]		
$125 mil 9.375% sub debs due 07/01/1997	—	BBB
Health & Retirement Properties Trust *Local Currency* [BBB/Stable/—]		
credit rating *Local Currency*	BBB/Stable/—	BBB-/Stable/—
$130 mil 7.5% conv sub deb ser B due 10/01/2003	BBB-	BB+
$200 mil fltg rt sr nts ser A & B due 07/13/1999	BBB	BBB-
$70 mil 7.5% conv sub deb ser A due 10/01/2003	BBB-	BB+
$345 mil Shelf Sr Unsecd/Sr Unsecd/Sub/Sub/Pfd Stk/Pfd Stk Debt Reg 06/07/1994:		
pfd stk (prelim)	BBB-	BB+
sr unsecd (prelim)	BBB	BBB-
sub (prelim)	BBB-	BB+
$750 mil shelf Sr Unsecd/Sub/Pfd Stk Debt 06/25/1996:		
pfd stk (prelim)	BBB-	BB+
sr unsecd (prelim)	BBB	BBB-
sub (prelim)	BBB-	BB+

U.S. INDUSTRIAL SECONDARY MARKET SPREADS



ote: Senior unsecured debt with less than 15 years to maturity.
ource: Standard & Poor's Fixed Income Research—BondComp.

HIGH YIELD INDUSTRIAL INDICES



Note: Includes Two to 10 year maturities and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

NEW RATINGS/Structured Finance

rovident Bank Home Equity Ln Trust 1997-2
$229 mil home equity ln asset-bckd certs ser 1997-2 due 06/25/2027:

Class A-1, A-2, A-3, A-4 ($70 mil) (bnd ins: MBIA Insurance Corp., bnd ins: MBIA Insurance Corp.)	AAA
Class A-5 ($159 mil) (bnd ins: MBIA Insurance Corp., bnd ins: MBIA Insurance Corp.)	AAA

esidential Accredit Loans, Inc.
$176.009 mil mtg pass-thru certs ser 1997-QS5 due 06/25/2027:

Class A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-9 ($175.67 mil) (liq: Residential Funding Corp.)	AAA
Class A-10, A-11, A-8 ($.34 mil) (liq: Residential Funding Corp.)	AAAr

esidential Funding Mortgage Securities I Inc.
$575.778 mil mtg pass-thru certs ser 1997-S8 due 06/01/2027:

Class A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, R ($574.99 mil) (liq: Residential Funding Corp.)	AAA
Class A-10, A-11 ($.79 mil) (liq: Residential Funding Corp.)	AAAr

esidential Funding Mortgage Securities II Inc.
$122.765 mil hm ln-bckd nts ser 1997-HI3 due 12/25/2022:

Class A-PB ($122.77 mil) (bnd ins: AMBAC Indemnity Corp.)	AAA

alomon Brothers Mortgage Securities VII Inc.
$100.110 mil new century asset-bckd fltg rt certs ser 1997-NC3 due 06/25/2027:

Class A, R-I, R-II (bnd ins: Financial Security Assurance Inc., liq: New Century Mortgage Corp.)	AAA

$452.635 mil asset-bckd certs ser 1997-LB3 due 06/25/2027:

Class A, R-I, R-II, R-III ($412.25 mil) (liq: Long Beach Mortgage Co.)	AAA
Class M-1 ($40.59 mil) (liq: Long Beach Mortgage Co.)	AA

SLM Student Loan Trust 1997-2
$2.496 bil fltg rate stud ln-bckd nts ser 1997-2:

Class A-1 ($1.6 bil)	AAA
Class A-2 ($808 mil)	AAA
Class Certs ($87.45 mil)	A+

Superannuation Members' Home Loans Programme Securitisation Fund No.5

A$180 mil 3 mo. BBSW+0.18% mtg-bckd pass-thru bnds due 10/2023:	AAA

NEW RATINGS/Structured Finance

The Money Store Home Equity Trust 1997-B
$970 mil asset-bckd certs ser 1997-B due 6/25/2027:

Class A-1 ($80.5 mil) (bnd ins: MBIA Insurance Corp., liq: Money Store Inc. (The))	AAA
Class A-10, A-11, A-9 ($420 mil) (bnd ins: MBIA Insurance Corp., liq: Money Store Inc. (The))	AAA
Class A-2, A-3, A-4, A-5, A-6, A-7, A-8 ($469.5 mil) (bnd ins: MBIA Insurance Corp., liq: Money Store Inc. (The))	AAA

WB Trust
A$50 mil 3 mo. BBSW+0.26% pass-thru class A senior nts due 08/08/2027:

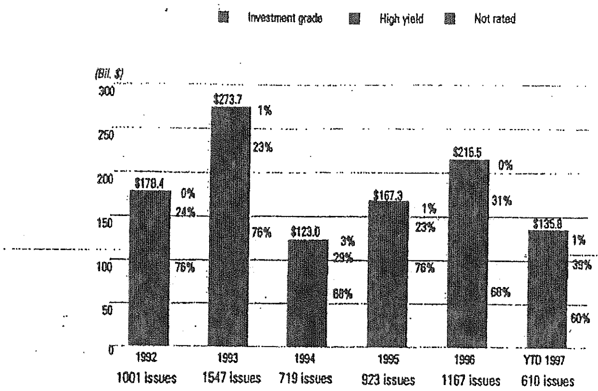
Class A	AA

REVISED RATINGS

	To	From
Aeroquip-Vickers Inc. [BBB+/Stable/A-2]		
credit rating	BBB+/Stable/A-2	BBB/Stable/A-2
$100 mil 7.875% deb due 06/01/2026	BBB+	BBB
$100 mil conv sub debs due 10/15/2002	BBB	BBB-
$50 mil 9.55% sf deb due 02/01/2018	BBB+	BBB
$150 mil Sr Unsecd med-term note prog due 9 months or more from date of issue: sr unsecd	BBB+	BBB
Alabama Power Co. [A+/Stable/A-1]		
$50 mil 7.6% pfd stk	—	A
Alcatel Alsthom Finance Inc. *Foreign Currency* [—/—/A-1]		
credit rating *Foreign Currency*	—/—/A-1	—/—/A-1+
Canadian CP program auth amt 400 mil. CANADIAN DOLLAR (Gtd: Alcatel Alsthom S.A.)	A-1	A-1+/Watch Neg
Alcatel Alsthom Finance Ltd.		
Australian CP program auth amt $500 mil. (Gtd: Alcatel Alsthom S.A.)	A-1	A-1+
Alcatel Alsthom Inc. [A+/Stable/A-1]		
credit rating	A+/Stable/A-1	AA-/Watch Neg/A-1+
3(A)3 CP program auth amt $1 bil. (Gtd: Alcatel Alsthom S.A.)	A-1	A-1+/Watch Neg
$1.5 bil med-term note program: sr unsecd (Gtd: Alcatel Alsthom S.A.)	A+	AA-/Watch Neg

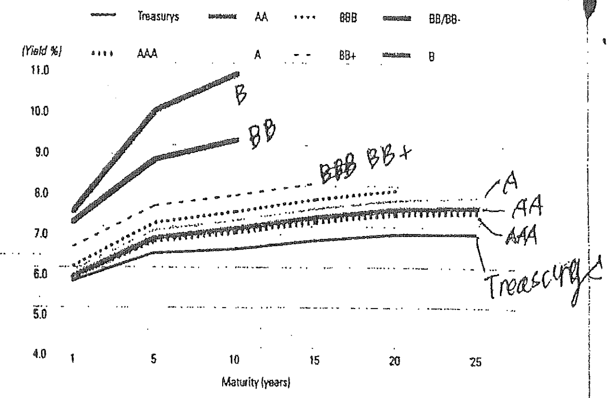
RATINGS TRENDS

U.S. CORPORATE BOND ISSUANCE



Note: Includes Yankee bond issuance.
Source: Standard & Poor's Fixed Income Research—BondBank.

TREASURY AND INDUSTRIAL YIELD CURVES



Note: Minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

NEW RATINGS Structured Finance

Cityscape Home Equity Loan Trust 1997-C

$200 mil home equity ln pass-thru certs ser 1997-C due 07/25/2028:

Class A-1, A-2, A-3, A-4, A-5 ($165.87 mil)	AAA
Class B-1A, B-1F ($7.73 mil)	BBB
Class M-1A ($9.27 mil)	AA+
Class M-1F ($6.66 mil)	AA
Class M-2A ($5.61 mil)	A+
Class M-2F ($4.87 mil)	A

Emergent Home Equity Loan Trust 1997-2

$121.209 mil mtg hm equity lns ser 1997-2 due 07/15/2028:

Class A-1, A-2, A-3, A-4, A-5 (liq: Emergent Mortgage Corp, bnd ins: Financial Security Assurance Inc.)	AAA

EquiVantage Home Equity Loan Trust 1997-2

$100 mil home equity ln asset-bckd certs ser 1997-2 :

Class A-1, A-2, A-3, A-4, A-5 (bnd ins: Financial Guaranty Insurance Co.)	AAA

Green Tree Home Improvement & Home Equity Loan Trust 1997-C

$302.233 mil certs for hm imp & hm equity lns ser 1997-C:

Class HE A-1, HE A-1ARM, HE A-2, HE A-3, HE A-4, HI A-1, HI A-2, HI A-3 ($251.71 mil) (Gtd: Green Tree Financial Corp.)	AAA
Class HE B-1, HI B-1 ($12.29 mil) (Gtd: Green Tree Financial Corp.)	BBB
Class HE B-2, HI B-2 ($5.56 mil) (Gtd: Green Tree Financial Corp.)	A-
Class HE M-1, HI M-1 ($20.05 mil) (Gtd: Green Tree Financial Corp.)	AA
Class HE M-2, HI M-2 ($12.63 mil) (Gtd: Green Tree Financial Corp.)	A

Interstar RD25 Master Trust

A$190 mil class A2 due 12/01/2025:	
Class A2	AAA
A$30 mil class B due 12/01/2025:	
Class B	AA-
A$80 mil class A3 due 12/01/2025:	
Class A3	AAA

Mego Mortgage Home Loan Owner Trust 1997-3

$104.602 mil hm ln asset-bckd nts ser 1997-3 due 08/25/2023:

Class A-1, A-2, A-3, A-4 ($75.05 mil) (liq: Mego Mortgage Corp.)	AAA
Class B ($5.75 mil) (liq: Mego Mortgage Corp.)	BBB
Class M-1 ($16.21 mil) (liq: Mego Mortgage Corp.)	AA
Class M-2 ($7.58 mil) (liq: Mego Mortgage Corp.)	A

NEW RATINGS Structured Finance

Money Store Home Improvement Trust 1997-II

$250 mil home imp ln certs ser 1997-II due 07/25/2027:

Class A-1, A-2, A-3 ($184.38 mil) (liq: Money Store Inc. (The))	AAA
Class B ($13.75 mil) (liq: Money Store Inc. (The))	BBB
Class M-1 ($33.13 mil) (liq: Money Store Inc. (The))	AA
Class M-2 ($18.75 mil) (liq: Money Store Inc. (The))	A

Morgan Stanley ABS Capital I Inc.

$104.8 mil Ocwen mtg ln asset-bckd certs ser 1997-1 due 07/25/2027:

Class A-1 ($17.73 mil) (bnd ins: Financial Security Assurance Inc.)	AAA
Class A-2 ($87.12 mil) (bnd ins: Financial Security Assurance Inc.)	AAA

Norwest Asset Securities Corp.

$189.574 mil mtg pass-thru certs ser 1997-9 due 06/25/2012:

Class A-1, A-2, A-3, A-4, A-5, A-R ($183.93 mil)	AAA
Class A-PO, A-WIO ($.81 mil)	AAAr
Class B-1 ($.95 mil)	A
Class B-2 ($.48 mil)	BBB
Class M ($1.9 mil)	AA

PNC Mortgage Securities Corp.

$284.97 mil mtg pass-thru certs ser 1997-4 due 07/25/2027:

Class IIP, IIPP-6, IIX, IP, IX ($2.13 mil) (liq: PNC Mortgage Securities Corp.)	AAAr
Class IIPP-1, IIPP-2, IIPP-3, IIPP-4, IIPP-5, IPP-1, IPP-2, IPP-3, IPP-4, R, R-1, R-2 ($282.84 mil) (liq: PNC Mortgage Securities Corp.)	AAA

PNC Student Loan Trust I

$1.030 bil stud ln asset bckd nts ser 1997-2 :

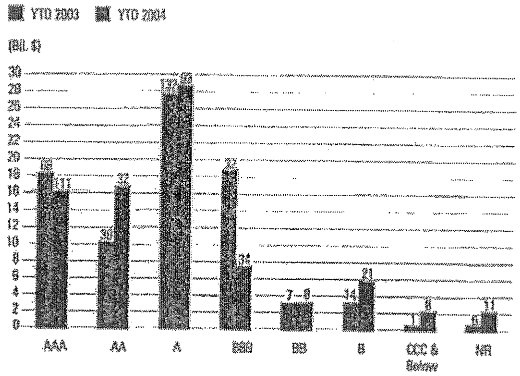
Class A-1 ($90 mil)	A-1+
Class A-2 ($107 mil)	AAA
Class A-3 ($107 mil)	AAA
Class A-4 ($102 mil)	AAA
Class A-5 ($94 mil)	AAA
Class A-6 ($72.5 mil)	AAA
Class A-7 ($121 mil)	AAA
Class A-8 ($175 mil)	AAA
Class A-9 ($125.45 mil)	AAA
Class B ($36.05 mil)	AA

Docket UM 1209

Staff/302
Peng/20

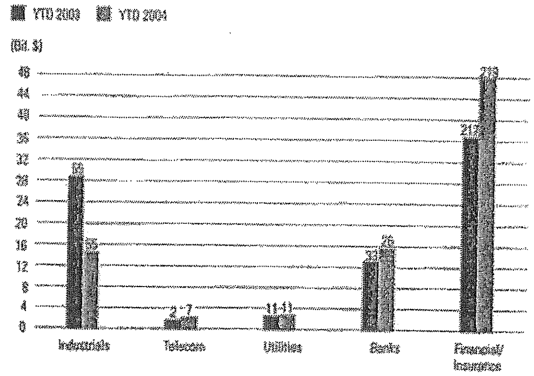
Number of New Issues and Dollar Volume

By Rating Category



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

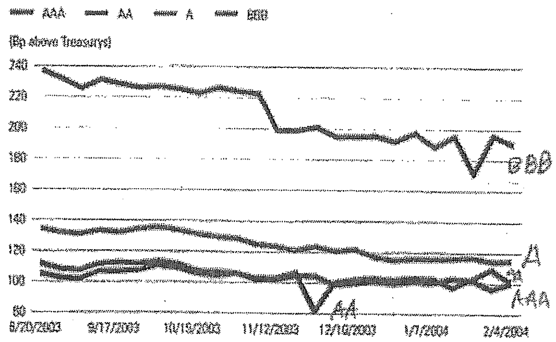
By Sector



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

Spread to Treasury by Rating Category

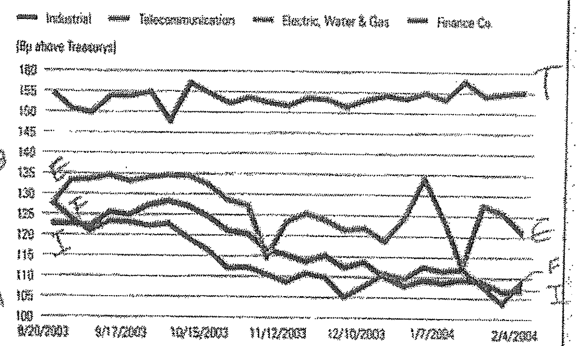
U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. 8+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
1/27/2004	96	109	115	196
2/4/2004	100	101	115	190

Sector Relative Value Rating Category 'A'



5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

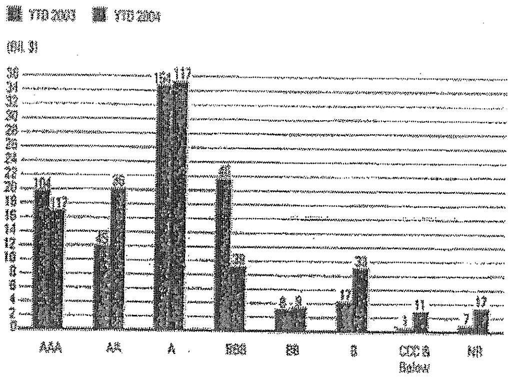
Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
1/27/2004	107	155	126	104
2/4/2004	107	155	121	109

Feb 11, 04

ratings trends

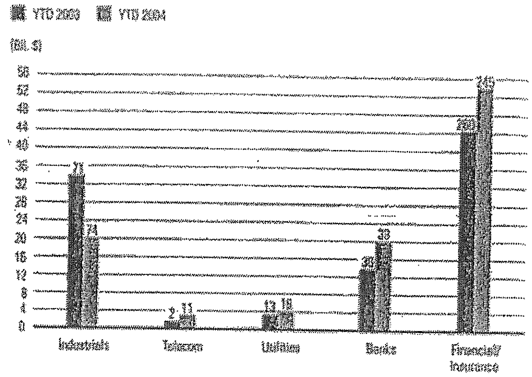
Number of New Issues and Dollar Volume

By Rating Category



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

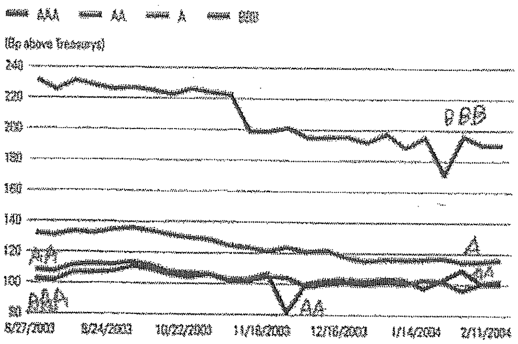
By Sector



Includes all public and rule 144a issuance of straight debt, convertible debt, floating-rate notes, and medium-term notes by financial and non-financial entities into the U.S. market.
Source: Standard & Poor's Global Fixed Income Research, Thomson Financial.

Spread to Treasury by Rating Category

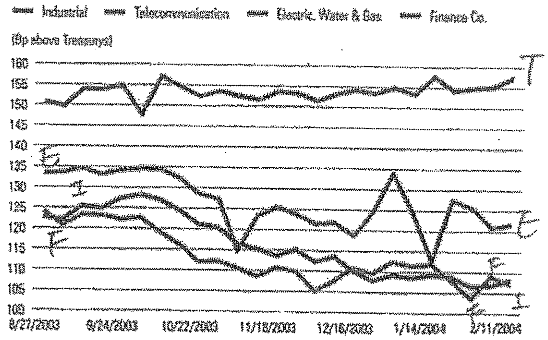
U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
2/4/2004	100	101	115	190
2/11/2004	100	102	116	190

Sector Relative Value Rating Category 'A'



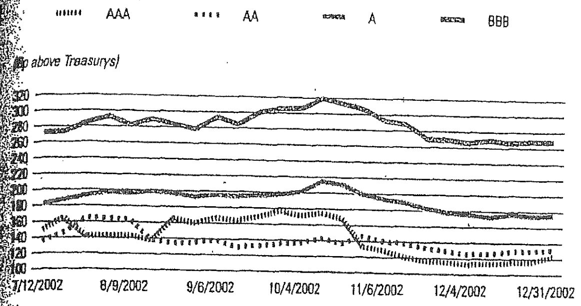
5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
2/4/2004	107	156	121	109
2/11/2004	108	157	122	107

Feb 18, 04

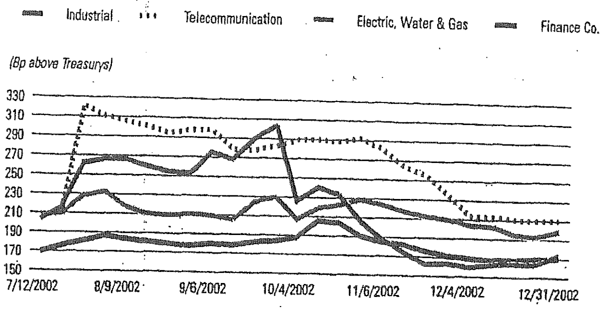
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
12/24/2002	115	130	174	269
12/31/2002	122	131	175	269

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
12/24/2002	168	210	192	163
12/31/2002	169	210	198	173

NEW RATINGS

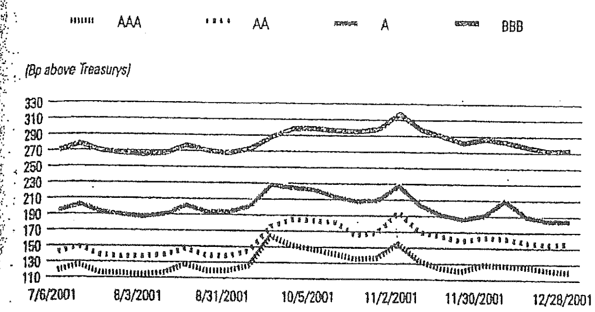
$50 mil 5% nts due 12/19/2007	AAA
$50 mil 5% nts due 12/19/2007	AAA
$50 mil 5.65% nts due 12/19/2017	AAA
$50 mil 5.67% nts due 12/19/2017	AAA
$50 mil 6.13% nts due 12/16/2022	AAA
$50 mil 6.14% nts due 12/16/2022	AAA
$50 mil step up nts due 12/20/2005	AAA
Federal Home Loan Banks	
$100 mil 1.55% Domestic bnds ser BF-7004 due 01/13/2004	AAA
$100 mil 1.55% Domestic bnds ser BG-7004 due 01/13/2004	AAA
$100 mil 1.92% Domestic bnds ser U-7004 due 06/17/2004	AAA
$100 mil 2.32% Domestic bnds ser BB-7004 due 12/17/2004	AAA
$100 mil 2.4% Domestic bnds ser VV-7004 due 12/20/2004	AAA
$100 mil 4.6% Domestic bnds ser NE-2010 due 07/16/2010	AAA
$100 mil 4.75% Domestic bnds ser 8H-2009 due 12/18/2009	AAA
$100 mil 6% Domestic bnds ser KE-2017 due 12/20/2017	AAA
$109.945 mil 1.42% Domestic bnds ser K8-8003 due 12/18/2003	AAA
$113.43 mil 1.475% Domestic bnds ser K6-8003 due 12/23/2003	AAA
$125 mil 4.17% Domestic bnds ser B8-9007 due 12/20/2007	AAA
$135 mil 6% Domestic bnds ser KZ-2017 due 12/19/2017	AAA
$150 mil 1.55% Domestic bnds ser BI-7004 due 01/14/2004	AAA
$200 mil 1.55% Domestic bnds ser BL-7004 due 01/14/2004	AAA
$200 mil 4.125% Domestic bnds ser D7-9007 due 12/19/2007	AAA
$200 mil 6% Domestic bnds ser KF-2017 due 12/20/2017	AAA
$215 mil 1.6% Domestic bnds ser BD-7004 due 01/09/2004	AAA
$250 mil 3.125% Domestic bnds ser CP-7005 due 12/19/2005	AAA
$260 mil 3.44% Domestic bnds ser LY-8006 due 09/19/2006	AAA
$275 mil 3.1% Domestic bnds ser PS-8006 due 12/20/2006	AAA

NEW RATINGS

$275 mil 3.25% Domestic bnds ser H7-9007 due 06/20/2007	AAA
$325 mil 1.6% Domestic bnds ser AZ-7004 due 01/09/2004	AAA
$350 mil 3.1% Domestic bnds ser BQ-7005 due 12/16/2005	AAA
$390 mil 2% bnds ser EE-7004 due 06/17/2004	AAA
$50 mil 1.625% Domestic bnds ser J6-8003 due 12/17/2003	AAA
$50 mil 2.26% Domestic bnds ser AC-9007 due 09/20/2004	AAA
$50 mil 2.26% Domestic bnds ser TT-7004 due 09/20/2004	AAA
$50 mil 2.29% Domestic bnds ser Y-7004 due 12/16/2004	AAA
$50 mil 2.45% Domestic bnds ser LL-7004 due 12/20/2004	AAA
$50 mil 2.5% Domestic bnds ser BV-7005 due 04/15/2005	AAA
$50 mil 2.5% Domestic bnds ser NN-7004 due 12/20/2004	AAA
$50 mil 2.52% Domestic bnds ser AE-7004 due 12/17/2004	AAA
$50 mil 2.625% Domestic bnds ser AF-7005 due 06/17/2005	AAA
$50 mil 2.84% Domestic bnds ser AT-7005 due 09/16/2005	AAA
$50 mil 2.9% Domestic bnds ser AX-7005 due 06/20/2005	AAA
$50 mil 3.03% Domestic bnds ser YY-7005 due 12/19/2005	AAA
$50 mil 3.06% Domestic bnds ser KT-8006 due 06/16/2006	AAA
$50 mil 3.21% Domestic bnds ser BM-7005 due 12/20/2005	AAA
$50 mil 3.5% Domestic bnds ser JS-8006 due 09/18/2006	AAA
$50 mil 3.52% Domestic bnds ser LM-8006 due 06/20/2006	AAA
$50 mil 3.875% Domestic bnds ser C2-9007 due 12/17/2007	AAA
$50 mil 4% Domestic bnds ser 9H-9007 due 12/18/2007	AAA
$50 mil 4% Domestic bnds ser 9Q-9007 due 12/20/2007	AAA
$50 mil 4% Domestic bnds ser 9Z-9007 due 06/20/9007	AAA
$50 mil 4% Domestic bnds ser A1-9007 due 06/20/2007	AAA
$50 mil 4.15% Domestic bnds ser A9-9007 due 12/20/2007	AAA
$50 mil 4.165% Domestic bnds ser 9W-9007 due 12/20/2007	AAA
$50 mil 5.42% Domestic bnds ser KR-2017 due 12/19/2017	AAA
$50 mil 5.435% Domestic bnds ser S-2022 due 12/20/2022	AAA
$50 mil 6% Domestic bnds ser KG-2017 due 12/20/2017	AAA

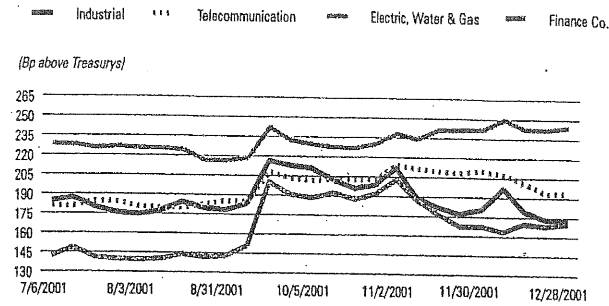
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

U.S. Industrials Spreads (bp)	AAA	AA	A	BBB
12/21/2001	123	155	185	272
12/28/2001	121	156	185	273

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
12/21/2001	173	193	242	168
12/28/2001	173	194	244	170

NEW RATINGS

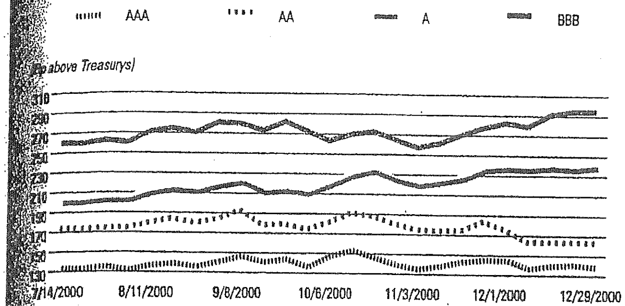
Natexis Banques Populaires [A/Positive/A-1]	
€500 mil fltg rate nts due 12/19/2003	A
National Bank of New Zealand Ltd. (The) [AA-/Stable/A-1+]	
$3 bil Euro CP prog	A-1+
Nationwide Building Society [A+/Stable/A-1]	
€50 mil fltg rate nts ser 260 due 12/06/2002	A+
Nederlandse Waterschapsbank N.V. [AAA/Stable/A-1+]	
£50 mil 3% bnds due 08/23/2011	AAA
NIB Capital Bank N.V. [AA-/Negative/A-1+]	
€150 mil fltg rate nts due 05/28/2003	AA-
Ohio Wtr Dev Auth	
$10 mil Ohio Wtr Dev Auth envir fac rev (Premcor Refining Group Inc Proj) bnds ser 2001 due 11/01/2031	BB-/Watch Dev
Oman LNG LLC	
$1.3 bil bank ln due 2017	A-
Patriot Funding LLC	
4(2) CP prog auth amt $3 bil	A-1
Pennsylvania Suburban Water Co [A+/Stable/—]	
credit rating	A+/Stable/—
Pharmacia Corp. [AA-/Stable/A-1+]	
4(2) CP prog auth amt $1 bil	A-1+
Pope Cnty	
$47 mil 5.05% rev rfdg (Entergy Arkansas Inc Proj) bnds ser 2001 due 09/01/2028	BBB-
Popular Preference (Cayman) Ltd.	
€200 mil fltg rate Pref stk ser B (Gtd: Banco Popular Espanol, S.A.)	A
PPL Energy Supply LLC [BBB/Stable/A-2]	
4(2) CP prog auth amt $1.1 bil	A-2

NEW RATINGS

River Fuel Co. No. 2 Inc.	
3(A)2 CP prog auth amt $55 mil (LOC: Bank of New York, NY)	A-1+
Rodamco North America N.V. [BBB/Developing/—]	
credit rating	BBB/Developing/—
Salomon Smith Barney Holdings Inc. [AA-/Stable/A-1+]	
$10.5 mil linked to the NASDAQ-100 Index med-term nts ser K due 12/14/2004	AA-
Sanmina - SCI Corporation [BB+/Stable/—]	
$600 mil sr secd credit fac bank ln	BB+
Sigma-Aldrich Corp. [A-/Stable/A-2]	
credit rating	A-/Stable/A-2
$150 mil revolv credit fac due 2002 bank ln	A-
$150 mil revolv credit fac due 2006 bank ln	A-
4(2) CP prog auth amt $300 mil	A-2
SNS bank Nederland N.V. [A/Stable/A-1]	
$30 mil Range accural index-linked nts ser 233 due 11/05/2003	A
Stryker Corp. [BBB+/Positive/—]	
$250 mil 364 day revolv credit fac bank ln	BBB+
$750 mil revolv credit fac bank ln due 2006	BBB+
Swedish Export Credit Corp. [AA+/Stable/A-1+]	
¥5 bil fltg rate index-linked bnds ser 1 due 12/18/2013	AA+
C$100 mil 4.75% nts due 12/20/2006	AA+
€100 mil 3.45% nts due 11/28/2005	AA+
Talisman Energy Inc. [BBB+/Positive/—]	
$60 mil 5.8% med-term nts due 01/30/2007	BBB+
C$500 mil sr unsecd med-term nt prog 04/17/2000: sr unsecd	BBB+
Telstra Corp. Ltd. [AA-/Stable/A-1+]	
€1 bil 5.875% nts due 06/21/2005	AA-

SPREAD TO TREASURY BY RATING CATEGORY

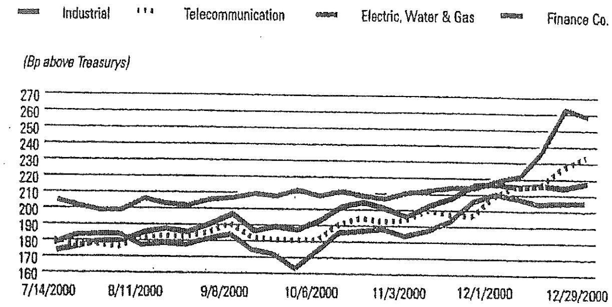
U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
12/22/2000	143	164	238	295
12/29/2000	141	163	241	295

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research-BondComp.

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
12/22/2000	215	227	264	205
12/29/2000	218	233	259	205

NEW RATINGS

Landesbank Rheinland-Pfalz Girozentrale [AA/Negative/A-1+]
£20 mil 5.5% bnds due 12/11/2003 (Gtd: Westdeutsche Landesbank Girozentrale, Gtd: Landesbank Baden-Wuerttemberg) — AA

Landesbank Schleswig-Holstein Girozentrale [—/—/A-1+]
4(2) CP prog auth amt $5 bil (Gtd: Schleswig-Holstein (State of), Gtd: Westdeutsche Landesbank Girozentrale, Gtd: Landesbank Baden-Wuerttemberg) — A-1+

Landes-Hypothekenbank Tirol AG [AA+/Negative/A-1+]
EUR2 bil sr unsecd/sub/S-T debt med-term nt prog :
- sr unsecd — AA+
- S-T debt — A-1+
- sub — AA+

Landes-und Hypothekenbank Vorarlberg AG [AAA/Negative/A-1+]
EUR75 mil fltg rate nts due 11/30/2010 (Gtd: Vorarlberg (State of)) — AAA

Levi Strauss & Co. [BB/Negative/—]
- $350 mil term bank ln ser A due 2003 — BB
- $400 mil bank ln ser B due 2003 — BB
- $750 mil rev credit fac bank ln due 2003 — BB

Monumental Global Funding Ltd.
¥2 bil 1.9% nts ser 2000-U due 12/29/2010 (gic: Monumental Life Insurance Co.) — AA+

Nationwide Building Society [A+/Stable/A-1]
$2 bil sr unsecd/sub/S-T debt med-term nt prog 11/23/2000:
- sr unsecd — A+
- S-T debt — A-1
- sub — A

Nationwide Financial Funding LLC
EUR50 mil fltg rate 1-mo Euribor nts ser 16 due 12/29/2003 (gic: Nationwide Life Insurance Co.) — AA

Paradigm Funding LLC
4(2) CP prog auth amt $10 bil — A-1

Prime Capital Calquake & Eurowind Ltd.
$129 mil fltg rate Libor + 7.50% nts due 01/07/2004 (gic: Merrill Lynch & Co. Inc.) — BB

Prime Capital Hurricane Ltd.
$159 mil fltg rate Libor + 6.50 nts due 01/07/2004 (gic: Merrill Lynch & Co. Inc.) — BB+

Principal Financial Global Funding, LLC
EUR50 mil fltg rate 1-mo Euribor + 9bp nts ser 28 due 01/02/2003 (gic: Principal Life Insurance Co.) — AA

Proliance Insurance Co. *Local Currency* [R/—/—]
credit rating *Local Currency* — R/—/—

Public Square Funding LLC
4(2) CP prog auth amt $2 bil Series II — A-1

Regency Centers, L.P. [BBB/Stable/—]
US$10 mil senior unsecured nts — BBB

Rheinboden Hypothekenbank AG
EUR25 mil fltg rate oeffentl pfandbriefe ser S7031 due 12/05/2003 — AAA

Scotiabank Europe PLC
$8 bil sr unsecd Euro med-term nt prog 12/14/2000:
sr unsecd (Gtd: Bank of Nova Scotia) — A+/A-1

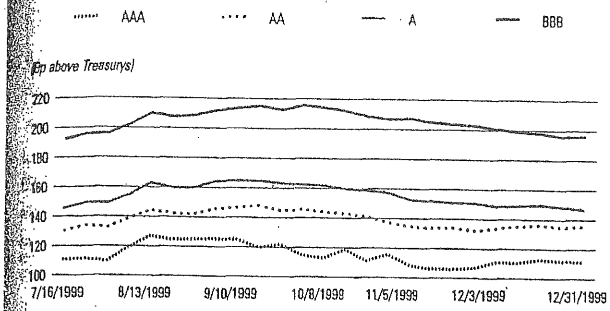
Shinkong Insurance Co. Ltd. *Local Currency* [A-/Stable/—]
credit rating *Local Currency* — A-/Stable/—

Siebel Systems Inc. [BB/Positive/—]
- credit rating — BB/Positive/—
- $300 mil 5.5% conv sub deb due 09/15/2006 — B+

Stonehenge Capital Fund New York LLC
$52.867 mil sr struct nts ser 2000B-2 due 12/15/2011 (Gtd: MBIA Insurance Corp.) — AAA

SPREAD TO TREASURY BY RATING CATEGORY

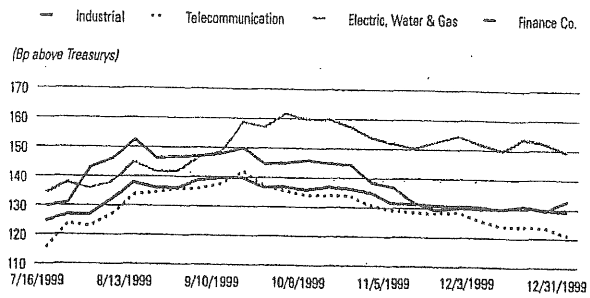
U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.
The yields dated 9/22/1999 have been revised. The figures may be obtained by calling (1) 212-438-6516.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
12/24/1999	112	135	149	196
12/31/1999	111	135	147	196

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research-BondComp.
The yields dated 9/22/1999 have been revised. The figures may be obtained by calling (1) 212-438-6516.

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
12/24/1999	130	124	152	129
12/31/1999	129	121	149	133

NEW RATINGS

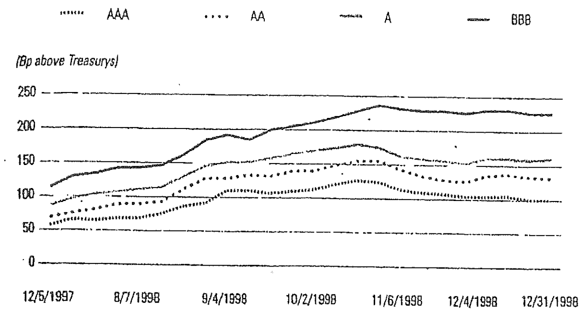
SNS Bank Nederland N.V. [A/Stable/A-1]	
£200 mil fltg rate nts due 12/02/2004	A
EUR100 mil fltg rate nts due 12/08/2004	A
Sydney Airports Corp. Ltd. [A+/Negative/A-1]	
A$600 mil med-term note program: S-T debt	A-1
Transocean Sedco Forex Inc. [A/Stable/A-1]	
$400 mil term bank ln due 2004	A
4(2) CP prog auth amt $500 mil	A-1
Transportadora de Gas del Sur S.A. (TGS) [BBB-/Negative/—]	
$200 mil bnds due 06/2000	BBB-
Tucson Electric Power Co. [BB/Stable/—]	
$100 mil bank ln due 12/30/2002	BB
$341 mil bank ln due 12/30/2002	BB
Unistar Insurance Co. *Local Currency* [Bpi/—/—]	
credit rating *Local Currency*	Bpi/—/—
United Liberty Life Insurance Co. *Local Currency* [BBpi/—/—]	
credit rating *Local Currency*	BBpi/—/—
Veneto Banca SCRL [BBB+/Stable/A-2]	
EUR500 mil Sr Unsecd/Sub med-term note prog 12/07/1999: sr unsecd	BBB+
sub	BBB
Westfield Trust [A/Stable/A-1]	
A$150 mil 6.25% nts due 10/15/2002	A
A$200 mil 7.5% nts due 10/15/2004	A

NEW RATINGS/Structured Finance

ABFS Mortgage Loan Trust 1999-4	
US$220 mil mortgage backed notes series 1999-4: Class A-1 ($100 mil) (liq: Bank of New York, NY, bnd ins: Financial Security Assurance Inc.)	AAA
Class A-2, A-3 ($120 mil) (liq: Bank of New York, NY, bnd ins: Financial Security Assurance Inc.)	AAA
Antares Funding L.P.	
US$600 mil floating and fixed rate notes: Class A-1 ($340 mil)	AAA
Class A-2 ($50 mil)	AAA
Class A-3 ($36 mil)	AAA
Class B-1 ($11.5 mil)	A-
Class B-2 ($36.5 mil)	A-
Appleton Hsg Auth (SPE)	
US$5 mil multifamily housing adjustable rate revenue refunding bonds, (The Mills II Project):	A+/A-1
Ares III CLO Ltd	
US$410 mil floating and fixed rate notes: Class A-1 ($261 mil)	AAA
Class A-2 ($35 mil)	AA-
Class A-3 ($24 mil)	AA-
Brown Cnty Hsg Auth (SPE)	
US$4 mil multifamily housing adjustable rate revenue refunding bonds, (Lawton Foundry Project) series 1999:	A+/A-1
Catalina CDO, Ltd.	
US$202 mil floating and fixed rate notes: Class A-1 ($99 mil)	AAA
Class A-2 ($15 mil)	AAA
Centex Home Equity Loan Trust 1999-4	
US$305 mil home equity loan asset-backed certificates series 1999-4: Class A-1, A-2, A-3, A-4, A-5, A-6, A-7 (bnd ins: MBIA Insurance Corp.)	AAA

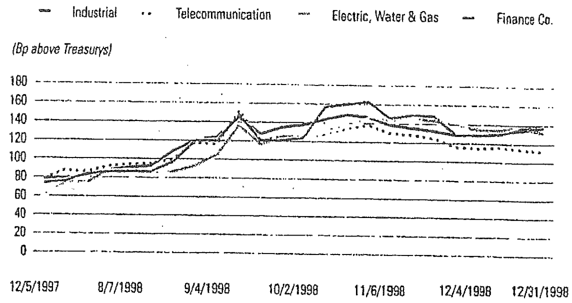
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
12/24/1998	98	134	156	227
12/31/1998	98	132	158	227

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
12/24/1998	133	114	136	137
12/31/1998	136	112	130	138

NEW RATINGS

EUR3.66 bil 3% OAT dated 1998/2009 bnds due 07/25/2009 AAA
EUR3.758 bil fltg rate OAT dated 1990/2001 bnds ser TME due 01/25/2001 AAA
EUR4.48 bil 5.5% OAT dated 1997/2007 bnds due 04/25/2007 AAA
EUR403.99 mil 6.57% bnds ser 7/84 due 07/17/2000 AAA
EUR458.6 mil 8% OAT dated 1993/2003 bnds due 04/25/2003 AAA
EUR5.485 bil 8.5% OAT dated 1991/2012 bnds due 12/26/2012 AAA
EUR5.554 bil 5.5% OAT dated 1998/2029 bnds due 04/25/2029 AAA
EUR531.5 mil 9.5% OAT dated 1991/2000 bnds due 04/25/2000 AAA
EUR610 mil 4% OAT dated 1998/2009 bnds due 04/25/2009 AAA
EUR7.967 bil 8.125% OAT dated 1989/1999 bnds due 05/25/1999 AAA
EUR742.6 mil 8.5% OAT dated 1992/2002 bnds due 03/15/2002 AAA
EUR8.789 bil 8.5% OAT dated 1990/2000 bnds due 03/28/2000 AAA
EUR875.9 mil 6.75% OAT dated 1997/2002 bnds due 04/25/2002 AAA
EUR9.034 bil 8.25% OAT dated 1996/2004 bnds due 02/27/2004 AAA
EUR9.336 bil 6.5% OAT dated 1998/2011 bnds due 04/25/2011 AAA
EUR9.34 bil 5.25% OAT dated 1998/208 bnds due 04/25/2008 AAA
EUR9.35 bil 8.5% OAT dated 1991/2019 bnds due 10/25/2019 AAA
EUR9.417 bil 6% OAT dated 1998/2025 bnds due 10/25/2025 AAA
EUR9.801 bil 9.5% OAT dated 1993/2001 bnds due 01/25/2001 AAA
EUR932.988 mil 11% bnds due 02/21/1999 AAA

FW Capital Trust I
$150 mil pfd secs (Gtd: Foster Wheeler Corp.) BBB-

General Funding
FRF1 bil French CP prog (liq: Bayerische Landesbank Girozentrale) A-1

Goldman Sachs Group L.P. (The) [A+/Negative/A-1+]
$885 mil fltg rate med-term nts due 01/07/2000 A+

Guess ?, Inc. [BB+/Negative/—]
$127.5 mil 9.5% sr sub nts ser B due 08/15/2003 BB-

Hannover International AG fur Industrievers. *Local Currency* [BBBpi/—/—]
credit rating *Local Currency* BBBpi/—/—

Hexcel Corp. [BB/Negative/—]
$275 mil sr sub nts due 2009 B+

HSBC Bamerindus Seguros SA *Local Currency* [Bpi/—/—]
credit rating *Local Currency* Bpi/—/—

International Finance Corp. [AAA/Stable/A-1+]
$70 mil 4.56% nts due 01/28/2003 AAA
EUR125 mil 10% nts due 02/05/2000 AAA

GRD20 bil 6.5% nts due 01/22/2002 AAAr

Italy (Republic of) [AA/Stable/A-1+]
CHF1.5 bil 3.125% bnds due 07/15/2010 AA
Euro CP prog auth amt EUR5 bil A-1+
GRD20 bil 7% nts due 01/04/2002 AAr

KFW International Finance Inc. [AAA/Stable/A-1+]
£250 mil 5.5% nts due 12/07/2000 (Gtd: Kreditanstalt fuer Wiederaufbau) AAA

Kreditanstalt fuer Wiederaufbau [AAA/Stable/A-1+]
Euro CP prog auth amt EUR5 bil A-1+

Landesbank Baden-Wuerttemberg [AAA/Stable/A-1+]
credit rating AAA/Stable/A-1+
sub debt indic (Gtd: Baden-Wuerttemberg (State of)) AAA

Locindus S.A. [A-/Stable/A-2]
credit rating A-/Stable/A-2
FFr500 mil nts due 2006 A-
FRF1 bil 6.5% bnds due 2004 A-
FRF300 mil 8% bnds due 2003 A-
FRF500 mil 6% bnds due 2007 A-
FRF800 mil CD PROGRAM (BISF) A-2

Mannheimer Versicherung AG *Local Currency* [Api/—/—]
credit rating *Local Currency* Api/—/—

Mitsubishi Corp. [A+/Watch Neg/A-1]
¥10 bil 2% straight bnds ser 15 due 01/27/2006 A+/Watch Neg
¥15 bil 2.58% Unsec Straight bnds ser 14 due 01/20/2009 A+/Watch Neg

National Bank of Slovakia
SKK1 mil 15% nts due 01/14/2001 BBB+

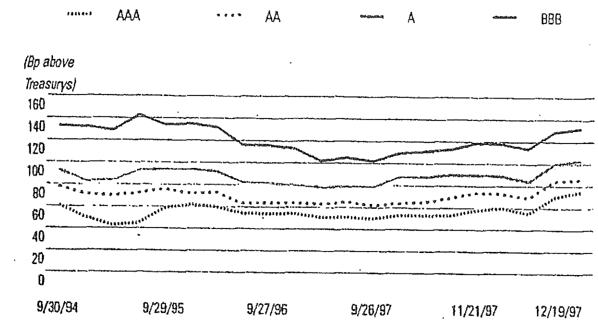
National Farm Life Insurance Co. *Local Currency* [BBBpi/—/—]
credit rating *Local Currency* BBBpi/—/—

National States Insurance Co. *Local Currency* [BBpi/—/—]
credit rating *Local Currency* BBpi/—/—

Netherlands (Kingdom of The) [AAA/Stable/A-1+]
EUR1.252 bil 9% bnds ser 3 due 07/01/2000 AAA
EUR1.28 bil 8.75% bnds ser 1 due 05/01/2000 AAA
EUR1.361 bil 7% bnds ser 4 due 08/15/1999 AAA
EUR1.452 bil 7.25% bnds due 07/15/1999 AAA
EUR1.497 bil 6.5% bnds due 01/15/1999 AAA

U.S. INDUSTRIAL SECONDARY MARKET SPREADS

U.S. Industrial Credit Trends By Rating Category

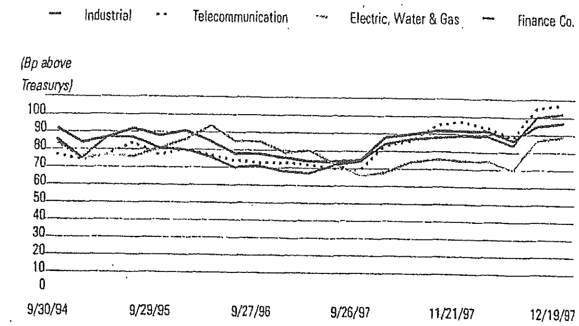


Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.
*Note: Data as of 12/19/97

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
12/12/97	70	84	100	129
12/19/97	75	86	103	132

HIGH YIELD INDUSTRIAL INDICES

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.
*Note: Data as of 12/19/97

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
12/12/97	85	95	77	90
12/19/97	87	97	79	92

NEW RATINGS/Structured Finance

Class A-5 ($96.54 mil)	AAA
Class A-6 ($197.58 mil)	AAA
Class A-7 ($83.54 mil)	AAA

Capita Equipment Receivables Trust 1997-1
$1.1 bil rec-bckd nts ser 1997-1 due 10/16/2006:

Class A-1 ($272.5 mil)	A-1+
Class A-2 ($252 mil)	AAA
Class A-3 ($153 mil)	AAA
Class A-4 ($261.21 mil)	AAA
Class A-5 ($105 mil)	AAA
Class B ($68.82 mil)	A+
Class C ($34.41 mil)	BBB+

CENTO Trust 1997-1
$81.477 mil certs ser 1997-1 due 08/15/2001:

Class A-1 ($16.48 mil)	A
Class A-2 ($65 mil)	A

Chase Commercial Mortgage Securities Corp.
$724.455 mil comm mtg pass-thru certs ser 1997-2 due 12/19/20027:

Class A-1, A-2 ($586.08 mil) (liq: State Street Bank & Trust Co., Boston, MA)	AAA
Class B ($32.56 mil) (liq: State Street Bank & Trust Co., Boston, MA)	AA
Class C ($48.84 mil) (liq: State Street Bank & Trust Co., Boston, MA)	A
Class D ($44.77 mil) (liq: State Street Bank & Trust Co., Boston, MA)	BBB
Class E ($12.21 mil) (liq: State Street Bank & Trust Co., Boston, MA)	BBB-

CHYPS CBO 1997-1 LTD
$266.600 mil nts & set-up cpn nts ser 1997-1 due 01/15/2010:

Class A-1 ($45 mil)	AAA
Class A-2A ($143.69 mil)	AAA
Class A-2B ($20.81 mil)	AAAr
Class A-3 ($57.1 mil)	A-

Citicorp Mortgage Securities Inc.
$192.928 mil REMIC pass-thru certs ser 1997-7 due 12/25/2027:

Class A-1, A-2, A-3, A-4, A-5 ($192.55 mil) (liq: Citicorp Mortgage Securities Inc.)	AAA
Class A-6, A-7 ($.38 mil) (liq: Citicorp Mortgage Securities Inc.)	AAAr

NEW RATINGS/Structured Finance

Class Notes Trust 1997-I
$280 mil asset-bckd nts & certs ser 1997-2 due 04/01/2026:

Class A-4 ($150 mil) (bnd ins: Ambac Assurance Corp.)	AAA
Class A-5 ($57.5 mil) (bnd ins: Ambac Assurance Corp.)	AAA
Class A-6 ($57.5 mil) (bnd ins: Ambac Assurance Corp.)	AAA

Commercial Mortgage Acceptance Corp.
$746.664 mil comm mtg pass-thru certs ser 1997-ML1 due 12/30/2030:

Class A-1, A-2, A-3, A-4 ($576.97 mil) (liq: LaSalle National Bank, Chicago, IL)	AAA
Class B ($59.39 mil) (liq: LaSalle National Bank, Chicago, IL)	AA
Class C ($46.67 mil) (liq: LaSalle National Bank, Chicago, IL)	A
Class D ($46.67 mil) (liq: LaSalle National Bank, Chicago, IL)	BBB
Class E ($16.97 mil) (liq: LaSalle National Bank, Chicago, IL)	BBB-

Credit Suisse First Boston Mortgage Securities Corp.
$860.873 mil comm mtg pass-thru certs ser 1997-C2 due 01/17/2035:

Class A-1, A-2, A-3 (liq: First Union National Bank, Charlotte)	AAA

Emergent Home Equity Loan Trust 1997-4
$148.5 mil home equity ln asset-bckd nts ser 1997-4 due 12/2028:

Class A-1, A-2, A-3, A-4, A-5, A-6 (bnd ins: Financial Security Assurance Inc., liq: Emergent Mortgage Corp.)	AAA

First Alliance Mortgage Loan Trust 1997-4
$106 mil mtg ln asset-bckd certs ser 1997-4 due 01/2028:

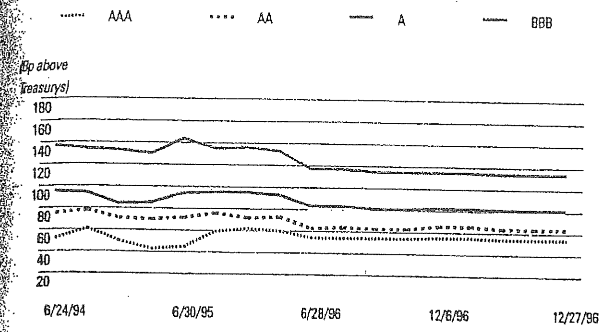
Class A-1, A-2 ($56 mil) (bnd ins: MBIA Insurance Corp., liq: First Alliance Mortgage Co.)	AAA
Class A-3 ($50 mil) (bnd ins: MBIA Insurance Corp., liq: First Alliance Mortgage Co.)	AAA

Green Tree Financial Corp.
$835 mil certs home imp & home equity lns, ser 1997-E due 01/01/2028:

Class HE:A-1 ($210.94 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-2 ($123.69 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-3 ($72.25 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-4 ($10.79 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-5 ($14.08 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-6 ($35 mil) (liq: Green Tree Financial Corp.)	AAA
Class HE:A-7 IO (liq: Green Tree Financial Corp.)	AAAr
Class HE:A1 Arm ($130 mil) (liq: Green Tree Financial Corp.)	AAA

SPREAD TO TREASURY BY RATING CATEGORY

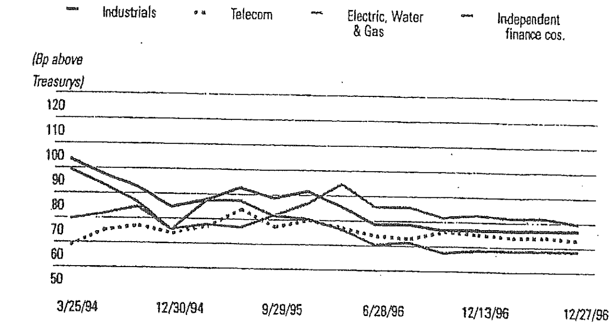
U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
12/20/96	54	64	80	113
12/27/96	54	64	80	113

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

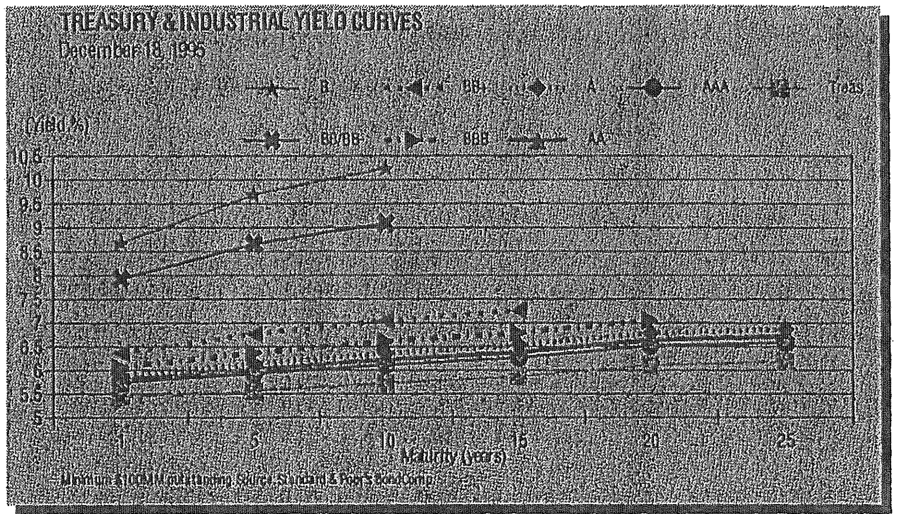
Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
12/20/96	66	64	71	58
12/27/96	66	63	69	58

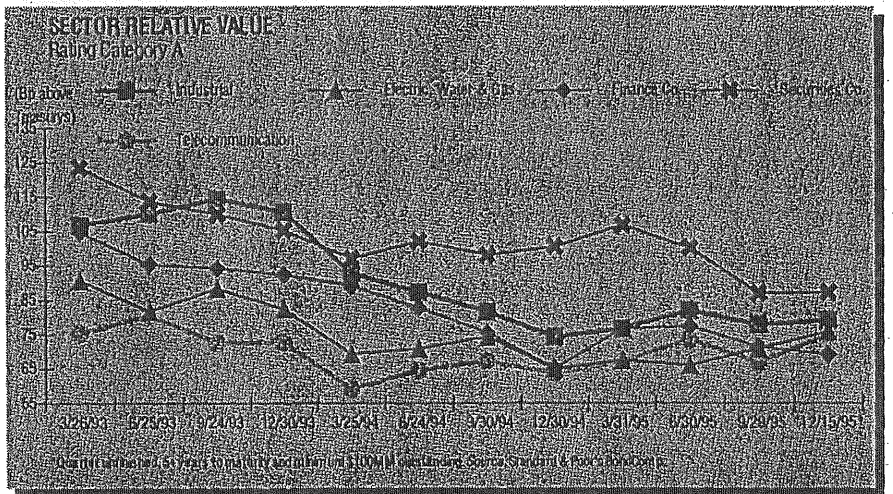
REVISED RATINGS

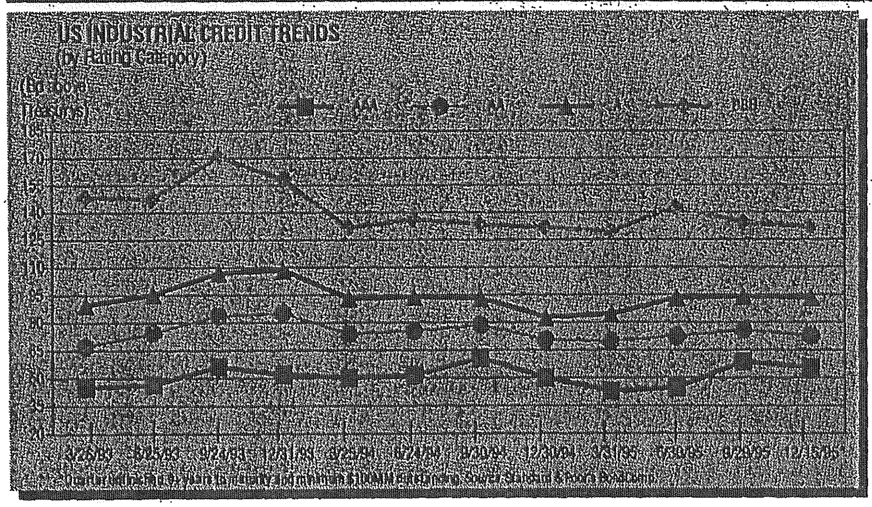
	To	From
Providian Life & Health Insurance Co. *Local Currency* [AA+/Watch Pos/A-1+]		
CPA	AA+/Watch Pos	AA+
credit rating *Local Currency*	AA+/Watch Pos/A-1+	AA+/—/A-1+
Providian LLC		
$100 mil mthly income pfd stk (MIPS) (Gtd: Providian Corp.)	AA-/Watch Pos	AA-
Providian National Bank [A/Watch Neg/A-1]		
credit rating	A/Watch Neg/A-1	A/Stable/A-1
$3.5 bil Sr Unsecd/Sub bank note prog due 7 days to 15 yrs:		
sr unsecd	A/Watch Neg/A-1	A/A-1
sub	A-/Watch Neg/A-2	A-/A-2
RCI Finance Corp. N.V.		
$70 mil 280 shares, voting auc market pfd stk, liquidation pref $250,000 per share ser D (LOC: Credit Suisse First Boston)	AA	AA+/Watch Neg
Rexene Corp. [BB/Watch Dev/—]		
credit rating	BB/Watch Dev/—	BB/Stable/—
$175 mil 11.75% sr nts due 12/01/2004	BB-/Watch Dev	BB-
RHG Finance Corp. [BBB/Watch Neg/—]		
credit rating	BBB/Watch Neg/—	BBB/Stable/—
$120 mil 8.875% gtd nts due 10/01/2005	BBB/Watch Neg	BBB
Selmer Co. Inc. (The)		
$110 mil 11% sr sub nts due 05/15/2005 (Gtd: Steinway Musical Instruments, Inc)	B	B-/Watch Pos
Southern Pacific Transportation Co. [BBB/Stable/—]		
$301.761 mil 6.9% ser 1995A due 01/02/1997	—	A
St. Louis-San Francisco Railway [BBB/Stable/—]		
$42.2 mil 4% 1st mtg bnds ser A due 01/01/1997	—	BBB
Standard Oil Co. [AA/—/—]		
SFr154 mil 3.75% nts due 01/01/1997	—	AA
Sweden (Kingdom of) *Local Currency* [AAA/Stable/A-1+] *Foreign Currency* [AA+/Negative/A-1+]		
C$200 mil 7.75% nts due 12/30/1996	—	AA+
C$250 mil 6.75% nts due 12/30/1996	—	AA+

REVISED RATINGS

	To	From
Swedish Export Credit Corp. *Local Currency* [AAA/Stable/A-1+] *Foreign Currency* [AA+/Negative/A-1+]		
C$100 mil 7% nts due 12/30/1996	—	AA+
Titan Wheel International Inc. [BB+/Stable/—]		
$90 mil 4.75% $90 mil 4.75% conv sub nts due 12/01/2000 nts due 12/01/2000	—	BB-
United Mexican States *Local Currency* [BBB+/Stable/A-2] *Foreign Currency* [BB/Stable/B]		
MXP3 bil zero cpn cetes due 01/02/1997	—	A-2
MXP500 mil fltg rate ajustabonos due 01/02/1997	—	BBB+
UNUM Corp. *Local Currency* [A+/Negative/A-1]		
$172.5 mil 8.8% Monthly Income Debt Securities (MIDS) jr sub def int debs ser A due 05/2025	A	—
Utilicorp United [BBB/Stable/A-2]		
$8 mil 6% 1st mtg bnds ser N due 1997	—	BBB
Vehicle Services of America Ltd.		
3(A)2 CP prog auth amt $156.8 mil (LOC: NationsBank of Texas N.A.,Dallas)	A-1+	A-1/Watch Pos
Victoria (Treasury Corp. of)		
$100 mil 8.375% bnds due 1996 (Gtd: Victoria (State of))	—	AA
Western Massachusetts Electric Co. [BBB-/Watch Neg/—]		
credit rating	BBB-/Watch Neg/—	BBB-/Watch Neg/A-3
3(A)3 CP prog auth amt $75.000 mil.	—	A-3/Watch Neg
Yale International Inc.		
$70 mil 11.5% secd nts due 09/01/2000	—	B/Watch Neg
Yorkshire Water PLC [AA-/Stable/A-1+]		
GBP40 mil bnds due 1997	—	AA-
Zurich (Federal State of) [AAA/Stable/—]		
SFr180 mil 4.75% bnds due 12/20/1996	—	AAA
Boulevard Auto Trust 1993-1		
$106.086 mil 4.55% pass-thru certs ser 1993-1 due 10/15/1998:		
Class A ($97.6 mil)	—	AAA
Class B ($8.49 mil)	—	A-


TREASURY & INDUSTRIAL YIELD CURVES
December 18, 1995
B
BB+
A
AAA
Treas
(Yield %)
BB/BB-
BBB
AA
Maturity (years)


SECTOR RELATIVE VALUE
Rating Category A
Industrial
Electric, Water & Gas
Finance Co.
Telecommunication
3/26/93
6/25/93
9/24/93
12/30/93
3/25/94
6/24/94
9/30/94
12/30/94
3/31/95
6/30/95
9/29/95
12/15/95

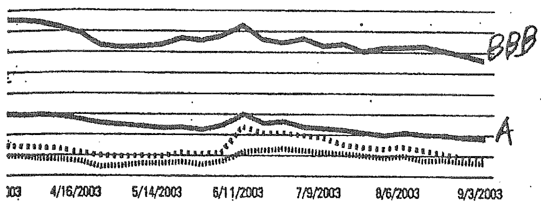

US INDUSTRIAL CREDIT TRENDS
(by Rating Category)
AAA
AA
A
BBB

SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category

AAA AA A BBB

ve Treasurys)



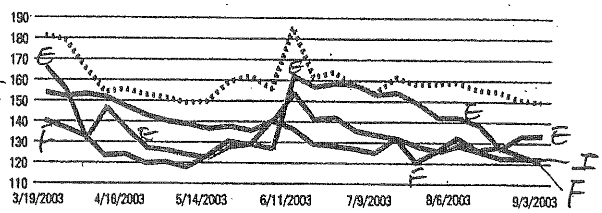
icludes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Standard & Poor's Global Fixed Income Research.

ustrials Spreads (bp)	AAA	AA	A	BBB
0	103	109	132	232
	102	108	131	225

Sector Relative Value Rating Category 'A'

Industrial Telecommunication Electric, Water & Gas Finance Co.

(Bp above Treasurys)



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
8/27/2003	123	151	133	124
9/3/2003	122	150	134	121

NEW RATINGS

30 mil. fltg-rt Domestic bnds ser YK-2018 due 08/28/2018	AAA
30 mil. fltg-rt Domestic bnds ser YS-2018 due 08/28/2018	AAA
30 mil. fltg-rt Domestic bnds ser ZL-2018 due 08/27/2018	AAA
35 mil. 3% Domestic bnds ser NT-7006 due 08/25/2006	AAA
35 mil. 5% Domestic bnds ser U3-2009 due 11/25/2009	AAA
25 mil. 6% Domestic bnds ser YP-2018 due 08/28/2018	AAA
35 mil. fltg-rt Domestic bnds ser E4-2013 due 08/28/2013	AAA
55 mil. 2% Domestic bnds ser PJ-7006 due 08/28/2006	AAA
30 mil. zero cpn Domestic bnds ser BK-2023 due 08/28/2023	AAA
54 mil. zero cpn Domestic bnds ser BN-2023 due 08/25/2023	AAA
75 mil. 1.42% Domestic bnds ser UL-7004 due 09/24/2004	AAA
32 mil. zero cpn Domestic bnds ser BM-2023 due 08/25/2023	AAA
30 mil. 1.41% Domestic bnds ser UI-7004 due 09/21/2004	AAA
30 mil. 6.5% Domestic bnds ser ZB-2018 due 08/28/2018	AAA
50 mil. 1.35% Domestic bnds ser UE-7004 due 08/25/2004	AAA
57 mil. fltg-rt Domestic bnds ser YI-2018 due 08/28/2018	AAA
72 mil. zero cpn Domestic bnds ser BJ-2023 due 08/25/2023	AAA
30 mil. 6.25% Domestic bnds ser 1E-2018 due 08/27/2018	AAA
40 mil. zero cpn Domestic bnds ser BL-2023 due 08/25/2023	AAA
mil. 1.1% Domestic bnds ser TH-8007 due 08/28/2007	AAA
mil. 2.05% Domestic bnds ser C2-7005 due 08/26/2005	AAA
mil. 2.125% Domestic bnds ser G2-7005 due 08/26/2005	AAA

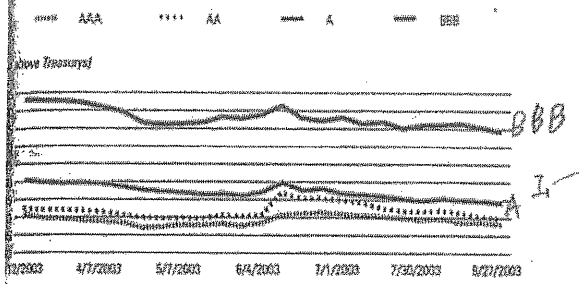
NEW RATINGS

$50 mil. 2.195% Domestic bnds ser D5-7005 due 08/26/2005	AAA
$50 mil. 2.21% Domestic bnds ser D1-7005 due 08/26/2005	AAA
$50 mil. 2.22% Domestic bnds ser C6-7005 due 08/26/2005	AAA
$50 mil. 2.75% Domestic bnds ser Q1-9008 due 08/27/2008	AAA
$50 mil. 2.8% Domestic bnds ser QR-7006 due 08/25/2006	AAA
$50 mil. 3.02% Domestic bnds ser PC-7006 due 08/25/2006	AAA
$50 mil. 3.25% Domestic bnds ser 3C-2010 due 08/25/2010	AAA
$50 mil. 3.265% Domestic bnds ser PE-7006 due 08/28/2006	AAA
$50 mil. 3.33% Domestic bnds ser SJ-8007 due 02/28/2007	AAA
$50 mil. 4.08% Domestic bnds ser V1-9008 due 08/27/2008	AAA
$50 mil. 4.17% Domestic bnds ser Q4-9008 due 08/26/2008	AAA
$50 mil. 5.3% Domestic bnds ser C5-2013 due 08/26/2013	AAA
$50 mil. fltg-rt Domestic bnds ser 3J-2010 due 08/26/2010	AAA
$50 mil. fltg-rt Domestic bnds ser 7Q-2013 due 08/13/2013	AAA
$50 mil. fltg-rt Domestic bnds ser ZN-2018 due 08/27/2018	AAA
$50 mil. fltg-rt Domestic bnds ser ZP-2018 due 08/27/2018	AAA
$55 mil. 3.125% Domestic bnds ser PV-7006 due 08/25/2006	AAA
$55 mil. 3.25% Domestic bnds ser S3-9008 due 08/27/2008	AAA
$55 mil. 3.28% Domestic bnds ser SB-8007 due 02/28/2007	AAA
$55 mil. 3.625% Domestic bnds ser SW-8007 due 08/27/2007	AAA
$55 mil. 4.5% Domestic bnds ser 9T-2013 due 08/27/2013	AAA
$60 mil. 2.1% Domestic bnds ser C3-7005 due 08/26/2005	AAA
$60 mil. 2.5% Domestic bnds ser F9-7005 due 08/26/2005	AAA
$60 mil. 3% Domestic bnds ser QL-7006 due 11/27/2006	AAA
$60 mil. 4% Domestic bnds ser 9X-2013 due 08/27/2013	AAA
$60 mil. 4.1% Domestic bnds ser W3-9008 due 08/26/2008	AAA
$60 mil. 4.305% Domestic bnds ser T4-2009 due 02/25/2009	AAA

Docket UM 1209

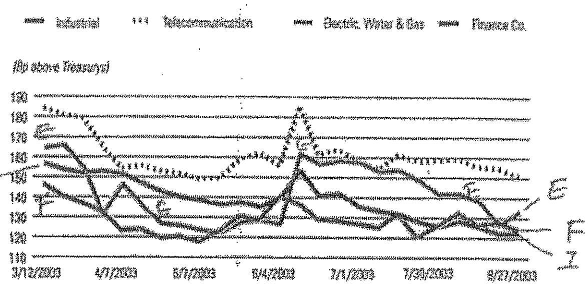
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Industrials Spreads (bp)	AAA	AA	A	BBB
/2003	105	112	135	237
/2003	103	109	132	232

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
8/20/2003	123	155	127	128
8/27/2003	123	151	133	124

NEW RATINGS

ichi International Treasury Ltd.

(2) CP prog auth amt $600 mil	A-1

sehold Finance Corp. [A/Stable/A-1]

4.05% InterNotes due 09/15/2008	A
5.5% InterNotes due 09/15/2013	A
6% InterNotes due 09/15/2018	A
6.3% InterNotes due 09/15/2023	A
flg-rt InterNotes due 09/15/2008	A

othekenbank in Essen AG [BBB+/Stable/A-2]

€100 mil. fltg-rt oeffentl pfandbriefe ser S802318 due 02/04/2005	AAA
€200 mil. fltg-rt oeffentl pfandbriefe ser S802317 due 02/08/2005	AAA
€30 mil. fltg-rt oeffentl pfandbriefe ser S169701 due 06/20/2008	AAA

uitable Funding Limited

EURO CP prog auth amt $10 bil	A-1+

strial Bank of Korea [BBB+/Stable/A-2]

$25 mil. fltg-rt (3 mth US$ Libor + 45bps) Tranche 1 nts ser 19 due 08/20/2006	BBB+

USA Inc. [BB/Stable/—]

$100 mil. term ln bank ln due 04/30/2007	BB
$45 mil. revolv cred fac due 5/27/2006 bank ln	BB

rnational Bank for Reconstruction and Development [AAA/Stable/A-1+]

$25 mil. 10% bnds due 09/10/2015	AAA
A$40 mil. 4.26% nts due 09/11/2006	AAA
C$300 mil. 1% nts due 05/22/2013	AAA

NEW RATINGS

International Finance Corp. [AAA/Stable/A-1+]

$150 mil. 1% Fxd-rt) deep discount nts ser 537 due 08/20/2015	AAA
A$250 mil. 4.64% nts ser 538 due 08/18/2008	AAA
HK$200 mil. 5.525% nts ser 547 due 08/28/2017	AAA

International Lease Finance Corp. [AA-/Negative/A-1+]

4.15% ILFC nts due 09/15/2008	AA-
4.55% ILFC nts due 09/15/2009	AA-
4.85% ILFC nts due 09/15/2010	AA-

John Hancock Life Insurance Co. *Local Currency* [AA/Stable/A-1+]

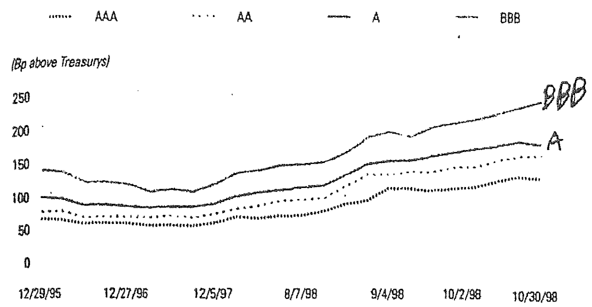
2.1% Signature nts due 09/15/2005	AA
2.85% Signature nts due 09/15/2006	AA
3.4% Signature nts due 09/15/2007	AA
4% Signature nts due 09/15/2008	AA
4.85% Signature nts due 09/15/2011	AA
5.15% Signature nts due 09/15/2013	AA
5.5% Signature nts due 09/15/2015	AA
6% Signature nts due 09/15/2023	AA
6.2% Signature nts due 09/15/2028	AA
step up Signature nts due 09/15/2011	AA

KommuneKredit [AAA/Stable/A-1+]

¥1.1 bil. Fxd/Fltg Callable nts ser 1200303543 due 07/25/2033	AAA
¥1.5 bil. Fxd/Fltg Callable nts ser 1200303547 due 07/28/2033	AAA
¥500 mil. Fxd/Fltg Callable nts ser 1200303539 due 07/22/2033	AAA
¥500 mil. Fxd/Fltg Callable nts ser 1200303546 due 07/24/2023	AAA
¥600 mil. nts ser 1200303544 due 07/25/2033	AAA
¥700 mil. Fxd/Fltg Callable nts ser 1200303548 due 07/28/2023	AAA

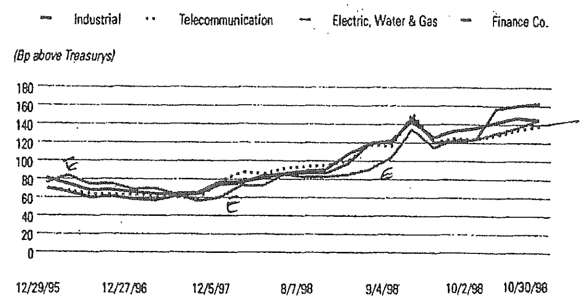
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
10/23/98	126	154	175	232
10/30/98	122	156	173	237

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
10/23/98	147	138	142	162
10/30/98	145	138	145	163

NEW RATINGS

$200 mil shelf Sr Unsecd/Sub Debt 01/20/1998:
sr unsecd (prelim) .... A
sub (prelim) .... A-

United Security Life Insurance Co. of IL *Local Currency* [CCCpi/—/—]
credit rating *Local Currency* .... CCCpi/—/—

Venantius AB *Local Currency* [AAA/Stable/A-1+]
Foreign Currency [AA+/Stable/A-1+]
£125 mil 7.25% nts due 2002 .... AA+

Vereinte Krankenversicherung AG *Local Currency* [AAA/Stable/—]
credit rating *Local Currency* .... AAA/Stable/—

Vereinte Lebensversicherung AG *Local Currency* [AAA/Stable/—]
credit rating *Local Currency* .... AAA/Stable/—

Weingarten Realty Investors [A/Stable/—]
$90,000,000 7.125% ser B cum redeemable pfd shares .... A-

Wilshire Insurance Co. *Local Currency* [Bpi/—/—]
credit rating *Local Currency* .... Bpi/—/—

Workers Compensation Fund of Utah *Local Currency* [Api/—/—]
credit rating *Local Currency* .... Api/—/—

Wuestenrot Hypothekenbank AG
DEM125 mil step-up oeffentl pfandbriefe ser S135 due 02/02/2004 .... AAA

Structured Finance

Aames Mortgage Trust 1997-D
$399 mil mtg pass-thru certs ser 1997-D due 12/15/2027:
Class A-6F ($19 mil) (bnd ins: MBIA Insurance Corp., liq: Aames Capital Corp.) .... AAA

ABN AMRO Mortgage Corp.
$345.439 mil multi-class mtg mtg pass-thru certs ser 1998-4 due 11/25/2028:
Class A-1, A-10, A-11, A-12, A-13, A-14, A-15, A-16, A-2, A-3, A-4, A-6, A-7, A-8, A-9 ($343.8 mil) (liq: LaSalle Home Mortgage Corp.) .... AAA
Class A-5, A-X (liq: LaSalle Home Mortgage Corp.) .... AAAr

Broad Index Secured Tranched Obligation 1998-3 Co. Ltd.
¥27 bil fltg secd nts due 2001 : .... AA+

NEW RATINGS/Structured Finance

Chase Mortgage Finance Trust, Series 1998-AS2
$249.761 mil multi-class mtg pass-thru certs ser 1998-AS2 due:
Class A-P, A-X, IIA-2 ($5.94 mil) (liq: Chase Manhattan Mortgage Corp.) .... AAAr
Class A-R, IA-1, IIA-1, IIIA-1, IIIA-2, IIIA-3 ($243.82 mil) (liq: Chase Manhattan Mortgage Corp.) .... AAA

Eden Park Trust #1
A$200 mil 30 day BBSW Snr floating-rate/Sub floating-rate nts, due 9/15/2001 & 10/15/2003.:
Class A1 (AUD97 mil) .... AAA
Class A2 (AUD97 mil) .... AAA
Class B (AUD6 mil) .... A

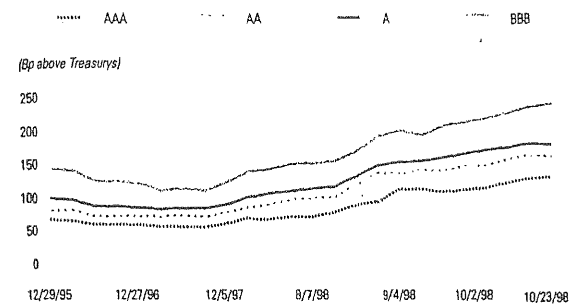
Household Affinity Credit Card Master Trust I
$890,100,000 fltg-rt credit-card part certs ser 1998-1 due 02/15/2004:
Class A ($844 mil) .... AAA
Class B ($46.1 mil) .... A

PNC Mortgage Securities Corp.
$1.2 bil mtg pass-thru certs ser 1998-8 due 09/25/2028:
Class I-A-6, I-P, I-X, II-A-2, II-P, II-X-1, II-X-2, III-A-2, III-P, III-X, IV-A-M, IV-A-X, IV-P ($520.26 mil) (liq: PNC Mortgage Securities Corp.) .... AAAr
$459.428 mil mtg pass-thru certs ser 1998-9 due 09/25/2028:
Class I-A-1, I-A-2, I-A-3, I-A-4, I-A-5, I-A-6, I-A-7, I-AM, II-A-1, II-AM, III-A-1, III-A-3, III-A-4, III-A-5, III-AM, R-I, R-II ($452.69 mil) (liq: PNC Mortgage Securities Corp.) .... AAA
Class I-A-8, I-P, I-X, II-A-2, II-P, II-X-2, III-A-2, III-X ($6.74 mil) (liq: PNC Mortgage Securities Corp.) .... AAAr

Residential Funding Mortgage Securities I Inc.
$501.439 mil mtg pass-thru certs ser 1998-S23 due 10/25/2028:
Class A-1, A-10, A-11, A-2, A-3, A-4, A-5, A-7, A-8, A-9, R-I, R-II ($492.68 mil) (liq: Residential Funding Corp.) .... AAA
Class A-12, A-13, A-6 ($8.76 mil) (liq: Residential Funding Corp.) .... AAAr

SPREAD TO TREASURY BY RATING CATEGORY

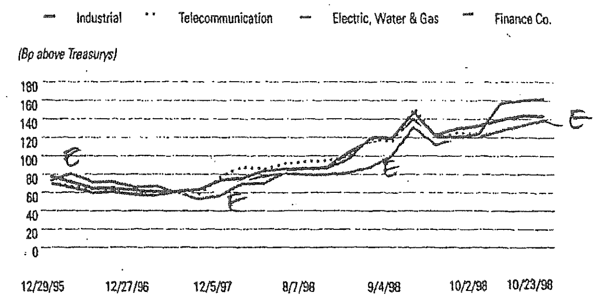
U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

U.S. Industrials spreads (bp)	AAA	AA	A	BBB
10/16/98	124	155	177	228
10/23/98	126	154	175	232

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
10/16/98	147	134	136	160
10/23/98	147	138	142	162

NEW RATINGS

PP&L Capital Funding, Inc.
$22 mil 6.2% (CUSIP# 693496ab7) med-term nts ser A due 08/31/2001 (bnd ins: MBIA Insurance Corp.) ..... AAA

Progressive American Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Casualty Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Classic Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive County Mutual Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Gulf Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Northern Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Premier Insurance Co. of IL *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Specialty Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive Universal Insurance Co. of IL *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

Progressive West Insurance Co. *Local Currency* [AApi/—/—]
credit rating *Local Currency* ..... AApi/—/—

PSINet Inc. [B-/Stable/—]
$200 mil 11.5% sr nts due 11/01/2008 ..... B-

Puget Sound Energy Inc. [BBB+/Stable/A-2]
$33.5 mil 7.02% sr nt (CUSIP# 745332bj4) bnds due 12/01/2027 (bnd ins: Ambac Assurance Corp., bnd ins: Ambac Assurance Corp., bnd ins: Ambac Assurance Corp.) ..... AAA

Quebec (Province of) *Local Currency* [A+/Stable/—]
Foreign Currency [A+/Stable/A-1+]
CAD92 mil 6% deb ser OX due 10/15/2001 ..... A+

Qwest Communications International Inc. [BB+/Positive/—]
$750 mil 7.5% sr nts due 11/01/2008 ..... BB+

Rabobank Nederland N.V. [AAA/Stable/A-1+]
$500 mil 5.5% bnds due 09/17/2008 ..... AAA
FRF3 bil 4.375% bnds due 10/26/2008 ..... AAA

Rockwood Casualty Insurance Co. *Local Currency* [BBBpi/—/—]
credit rating *Local Currency* ..... BBBpi/—/—

Royal Bank of Canada [AA-/Stable/A-1+]
Euro CP prog auth amt $2 bil ..... A-1+

Santander Finance Ltd.
ECU250 mil 6.15% pref shares ser M ..... BBB+

Sanyo Shinpan Finance Co. Ltd. [A-/Negative/—]
¥30 bil Sr Secd med-term note prog 10/28/1998:
sr secd A-/A-2

Service Corp. International [BBB+/Stable/A-2]
$750 mil revolving credit fac bank ln due 1999 ..... BBB+
$500 mil shelf Sr Unsecd/Sub/Pfd Stk Debt 10/15/1998:
pfd stk (prelim) ..... BBB
sr unsecd (prelim) ..... BBB+
sub (prelim) ..... BBB

Sierra Health & Life Insurance Co., Inc. *Local Currency* [BBpi/—/—]
credit rating *Local Currency* ..... BBpi/—/—

Simon DeBartolo Group, L.P. [BBB+/Stable/—]
$200,000,000 7% mandatory par put remktd secs due 06/15/2028 ..... BBB+
$200,000,000 7.375% sr unsecd nts due 06/15/2018 ..... BBB+
$300,000,000 6.75% sr unsecd nts due 06/15/2005 ..... BBB+

Southwest Gas Corp. [BBB-/Stable/—]
$16 mil 8% (CUSIP# 844895am4) med-term nts due 08/01/2026 (bnd ins: MBIA Insurance Corp.) ..... AAA
$6.5 mil 7.59% (CUSIP# 844895an2) med-term nts ser A due 01/17/2017 (bnd ins: MBIA Insurance Corp.) ..... AAA

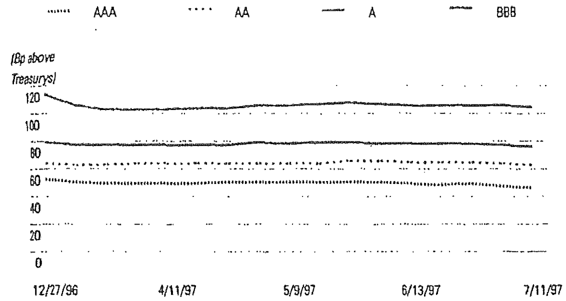
Statoil (Den norske stats oljeselskap a.s.) [AA+/Stable/A-1+]
CHF200 mil 2.75% bnds due 10/19/2004 ..... AA+

Stryker Corp. [BB/Stable/—]
credit rating ..... BB/Stable/—
$250 mil sr secd multicurrency fac bank ln due 2004 ..... BB
$250 mil sr secd revolving fac bank ln due 2004 ..... BB
$250 mil sr secd term ln B bank ln due 2005 ..... BB

Docket UM 1209

SPREAD TO TREASURY BY RATING CATEGORY

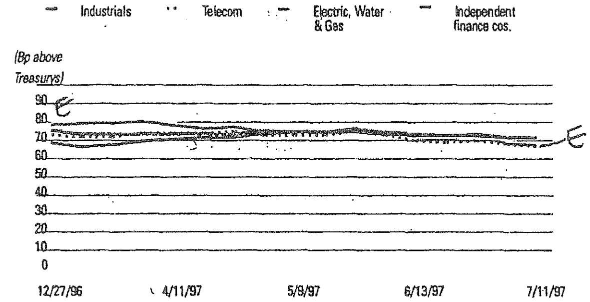
U.S. Industrial Credit Trends By Rating Category



Note: Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

.S. Industrials spreads (bp)	AAA	AA	A	BBB
3/97	49	64	78	105
11/97	48	63	77	104

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

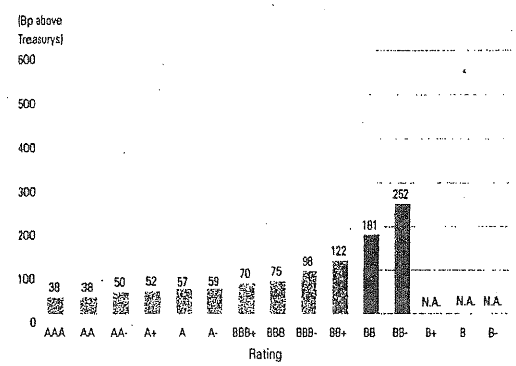
Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
7/3/97	61	58	57	61
7/11/97	62	57	58	60

REVISED RATINGS

	To	From
Cavia		
credit rating	—	AA/Stable/A-1+
FRENCH CP prog auth amt FFr1 bil	—	A-1+
FFr1 bil Med-term Nts Prog:		
sr unsecd	—	AA
Central Hudson Gas & Electric Corp. [A/Stable/—]		
credit rating	A/Stable/—	A-/Positive/—
$70 mil 9 1/4% 1st mtg bnds due 05/01/2021	A	A-
$120 mil shelf 1st mtg bnds reg 04/16/91:		
sr secd (prelim)	A	A-
$25 mil shelf pfd reg 11/07/94:		
pfd stk (prelim)	A-	BBB+
$80 mil Shelf Sr Secd/Sr Unsecd/Sr Unsecd/Sub/Sub Debt Reg 11/07/1994:		
sr secd (prelim)	A	A-
sr unsecd (prelim)	A-	BBB+
Chase Manhattan Corp. (The) [A/Positive/A-1]		
$100 mil fltg rate sub nts due 07/15/1997	—	A-
Chesapeake Energy Corp. [BB-/Stable/—]		
credit rating	BB-/Stable/—	BB/Watch Neg/—
Sr Unsecd (4 issues)	BB-	BB/Watch Neg
CMS Energy Corp. [BB/Positive/—]		
Sr Unsecd (4 issues)	—	BB
Coca-Cola Amatil Ltd. [A+/Stable/A-1]		
credit rating	A+/Stable/A-1	AA-/Watch Neg/A-1+
Sr Unsecd (5 issues)	A+	AA-/Watch Neg
Euro CP program auth amt $300 mil.	A-1	A-1+/Watch Neg
$750 mil Sr Unsecd med-term note prog 10/16/1996:		
sr unsecd	A+	AA-/Watch Neg
Coca-Cola Amatil N.Z. Ltd.		
NZ$50 mil 9.625% bnds due 03/02/1998 (Gtd: Coca-Cola Amatil Ltd.)	A+	AA-/Watch Neg
NZ$60 mil 6% bnds due 07/15/1997 (Gtd: Coca-Cola Amatil Ltd.)	—	AA-/Watch Neg

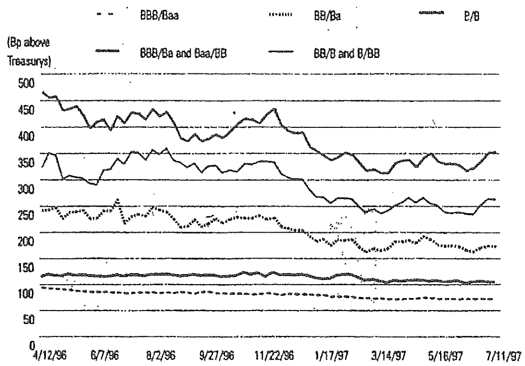
	To	From
Coca-Cola Co. [AA-/Stable/A-1+]		
credit rating	AA-/Stable/A-1+	AA/Watch Neg/A-1+
Sr Unsecd (6 issues)	AA-	AA/Watch Neg
3(A)3 CP program	A-1+	A-1+/Watch Neg
4(2) CP prog	A-1+	A-1+/Watch Neg
$500 mil med-term nts due 9 mo or more from date of issue:		
sr unsecd	AA-	AA/Watch Neg
$500 mil shelf-sr reg 10/25/93		
sr unsecd (prelim)	AA-	AA/Watch Neg
Coca-Cola Enterprises Inc. [A+/Stable/A-1]		
credit rating	A+/Stable/A-1	AA-/Watch Neg/A-1+
Sr Unsecd (13 issues)	A+	AA-/Watch Neg
4(2) CP prog	A-1	A-1+/Watch Neg
$3.17 bil shelf Sr Unsecd Debt 12/26/1996:		
sr unsecd (prelim)	A+	AA-/Watch Neg
Coles Myer Deposit Services Ltd.		
Australian CP program (Gtd: Coles Myer Ltd.)	—	A-1
Colombia (Republic of) *Local Currency* [A+/Stable/—] *Foreign Currency* [BBB-/Positive/—]		
COP10 bil 30.58% t-bills due 07/17/1997	—	A+
Commonwealth Edison Co. [BBB/Stable/A-2]		
$200 mil 6 1/2% 1st mtg bnds due 07/15/1997	—	BBB
Continental Casualty Group (Consolidated)		
credit rating	—	A+/—/—
CPA	—	A+
Credit Card Securitization Corp.		
3(A)3 CP prog auth amt $2 bil (bnd ins: Capital Markets Assurance Corp.)	—	A-1
Denmark (Kingdom of) *Local Currency* [AAA/Stable/A-1+] *Foreign Currency* [AA+/Stable/A-1+]		
DM500 mil 8.25% bnds due 07/15/1997	—	AA+
Deutsche Bank Finance N.V. Curacao		
SFr150 mil 7.375% nts due 07/17/1997 (Gtd: Deutsche Bank AG)	—	AAA
Doman Industries Ltd. [BB/Watch Neg/—]		
credit rating	BB/Watch Neg/—	BB/Stable/—
$425 mil 8.75% nts due 03/15/2004	BB-/Watch Neg	BB-

U.S. INDUSTRIAL SECONDARY MARKET SPREADS



Senior unsecured debt with less than 15 years to maturity.
: Standard & Poor's Fixed Income Research—BondComp.

HIGH YIELD INDUSTRIAL INDICES



Note: Includes Two to 10 year maturities and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

NEW RATINGS

lers Group Inc. *Local Currency* [AA-/Stable/A-1+]	
200 mil Depositary Shares	A+
Texas Petroleum Holdings Inc. [BBB-/Stable/—]	
500 mil shelf Sr Unsecd/Sub/Pfd Stk Debt 07/11/1997:	
'd stk (prelim)	BB+
unsecd (prelim)	BBB-
ıb (prelim)	BB+
Management Inc. [A-/Stable/A-2]	
300 mil 6.625% nts due 07/15/2002	A-
garten Realty Investors *Local Currency* [A+/Stable/—]	
20 mil 6.640% med-term nts ser A due 07/15/2026	A+
20 mil 6.65% med-term nts ser A due 07/12/2027	A+

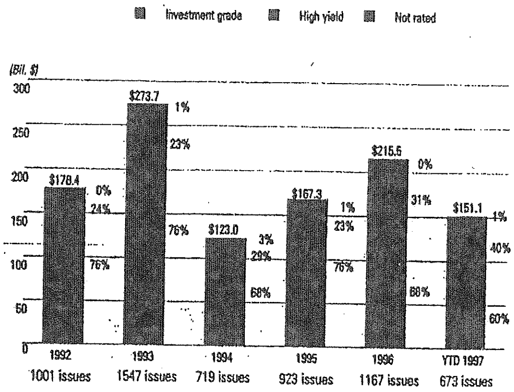
ıctured Finance

One Auto Grantor Trust 1997-A	
300.3 mil asset-bckd certs ser 1997-A due 11/15/2003:	
lass A ($744.25 mil)	AAA
lass B ($56.02 mil)	A
co Capital Funding Corp. X	
557.287 mil lease-bckd nts ser 1997-A due 04/20/2005:	
lass A-1 ($142.2 mil)	A-1+
lass A-2 ($54.18 mil)	AAA
lass A-3 ($211.5 mil)	AAA
lass A-4 ($126.67 mil)	AAA
lass B ($22.75 mil)	A
s Club Master Trust	
$10 mil 1 mo. BBSW + 0.17% ser 1997-3-A due 11/01/2000	AAA
$15 mil 1 mo. BBSW + 0.17% ser 1997-2-A due 11/01/2000	AAA
$15 mil 1 mo. BBSW+0.17% bnds ser 1997-1-A due 11/01/2000	AAA
Tree Recreational, Equipment & Consumer Trust 1997-B	
594.8 mil fltg/fxd rt asset-bckd nts & certs ser 1997-B due 7/15/2028:	
lass A-1 ($495.15 mil) (Gtd: Green Tree Financial Corp.)	AAA
lass A-2 ($32.72 mil) (Gtd: Green Tree Financial Corp.)	AA
lass A-3 ($26.77 mil) (Gtd: Green Tree Financial Corp.)	A
lass A-4 ($16.36 mil) (Gtd: Green Tree Financial Corp.)	BBB
lass B ($23.8 mil) (Gtd: Green Tree Financial Corp.)	A-

NEW RATINGS/Structured Finance

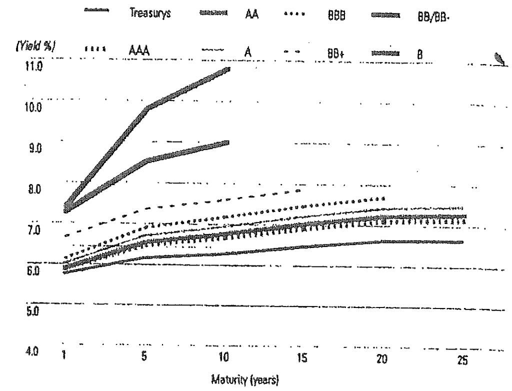
Kentucky Hgr Ed Std Ln Corp	
$4.910 mil ins std ln rev bnds ser 1997-A-thru D due 06/01/2002:	
Class 97-A ($1.87 mil)	AA-
Class 97-B ($1 mil)	AA-
Class 97-C ($1.04 mil)	AA-
Class 97-D ($1 mil)	AA-
Manufactured Housing Contracts Sr/Sub P-T Certs Trust	
$520 mil sr/sub pass-thru certs ser 1997-4 due 06/1998:	
Class A-1 ($20.8 mil)	A-1+
Class A-2 ($75 mil)	AAA
Class A-3 ($62 mil)	AAA
Class A-4 ($82 mil)	AAA
Class A-5 ($43 mil)	AAA
Class A-6 ($54.2 mil)	AAA
Class A-7 ($105 mil)	AAA
Class B-1 ($20.8 mil)	BBB+
Class B-2 ($18.2 mil) (Gtd: Green Tree Financial Corp.)	A-
Class M-1 ($39 mil)	AA-
Mid-State Trust VI	
$439.1 mil asset-bckd nts due 07/01/2035:	
Class A-1 ($287.75 mil)	AAA
Class A-2 ($57.75 mil)	AA+
Class A-3 ($45.1 mil)	AA
Class A-4 ($48.55 mil)	BBB
Money Store Auto Trust 1997-2 (The)	
$224.955 mil asset-bckd nts due 09/20/03:	
Class A-1 ($160 mil) (Gtd: Smith Barney Capital Services, Inc., bnd ins: MBIA Insurance Corp.)	AAA
Class A-2 ($60.5 mil) (Gtd: Smith Barney Capital Services, Inc., bnd ins: MBIA Insurance Corp.)	AAA
Class certs ($4.46 mil) (bnd ins: MBIA Insurance Corp., Gtd: Smith Barney Capital Services, Inc.)	AAA
Onyx Acceptance Grantor Trust 1997-2	
$121.676 mil auto ln pass-thru certs ser 1997-2 due 10/15/2003:	
Class A (bnd ins: Capital Markets Assurance Corp.)	AAA
Prudential Home Mortgage Securities Co. Inc. (The)	
$363.339 mil mtg pass-thru certs ser 1992-6 due 03/25/1999:	
Class A-8 (liq: Prudential Home Mortgage Co. (The))	AAAr

U.S. CORPORATE BOND ISSUANCE



Note: Includes Yankee bond issuance.
Source: Standard & Poor's Fixed Income Research—BondBank.

TREASURY AND INDUSTRIAL YIELD CURVES



Note: Minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

NEW RATINGS

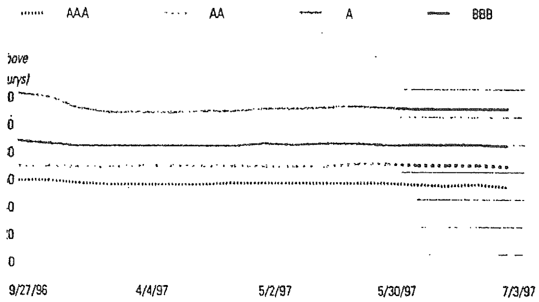
Owens & Minor, Inc. [BB/Stable/—]	
$225 mil unsecd bank fac bank ln due 05/2001	BB
PacifiCorp [A/Watch Neg/A-1]	
$125 mil 7.045% 1st mtg bnd due 07/15/2009	A
$175 mil 6.75% 1st mtg bnd due 07/15/2004	A
Philip Morris Cos. Inc. [A/Watch Neg/A-1]	
$1 bil 7% global bnds due 07/15/2005	A/Watch Neg
Philippines (Republic of) *Local Currency* [A-/Positive/A-1] *Foreign Currency* [BB+/Positive/—]	
$100 mil 8.6% bnds due 06/15/2097	BB+
$400 mil 8.6% bnds due 06/15/2027	BB+
Playtex Products Inc. [BB-/Negative/—]	
$150 mil 8.875% nts due 07/15/2004	B+
$320 mil credit fac bank ln due 06/15/2003	BB
Pohang Iron & Steel Co.,Ltd. [A+/Stable/—]	
$200 mil 7.125% bnds due 07/15/2004	A+
Private Export Funding Corp. [AAA/Stable/A-1+]	
$100 mil secd nts ser B due 07/15/2007	AAA
Procter & Gamble Co. [AA/Stable/A-1+]	
$2 bil shelf Sr Unsecd Debt 07/09/1997:	
sr unsecd (prelim)	AA
Quantum Corp. [BB/Stable/—]	
$500 mil unsecd revolving credit fac bank ln	BB
Quebec (Province of) *Local Currency* [A+/Negative/—] *Foreign Currency* [A+/Negative/A-1+]	
¥100 bil 3% bnds ser 7 due 09/29/2009	A+
Raychem Corp. [A-/Stable/—]	
credit rating	A-/Stable/—
$400 mil unsecd revolving credit fac bank ln due 09/12/2001	A-
$400 mil shelf Sr Unsecd/Sub Debt 07/16/1997:	
sr unsecd (prelim)	A-
sub (prelim)	BBB+
Redland PLC [A/Stable/A-1]	
£750 mil Sr Unsecd med-term note prog 07/17/1997:	
sr unsecd	A

NEW RATINGS

Rio Algom Ltd. [BBB/Negative/A-2]	
$500 mil 5 yr unsecd revolving credit fac	BBB
C$353.4 mil 5.5% conv sub deb due 02/01/2007	BBB-
Safety Components International, Inc. [B+/Stable/—]	
credit rating	B+/Stable/—
$27 mil revolving credit fac due 2002 bank ln	BB-
$80 mil sr sub nts due 2007	B-
Sears Roebuck Acceptance Corp. [A-/Stable/A-2]	
$500 mil 7% nts due 06/15/2007	A-
$4.5 bil shelf Sr Unsecd/Sub Debt 07/8/1997:	
sr unsecd (prelim)	A-
sub (prelim)	BBB+
Simon DeBartolo Group Inc. *Local Currency* [BBB/Stable/—]	
$150 mil 7.89% cum (SUPer) pfd stk ser C	BBB
Simon DeBartolo Group, L.P. *Local Currency* [BBB+/Stable/—]	
$100 mil med-term nts due 06/24/2005	BBB
Smith Barney Holdings Inc. [A/Stable/—]	
$250 mil 6.625% sr nts due 07/01/2002	A
$1 bil shelf Sr Unsecd Debt 06/27/1997:	
sr unsecd (prelim)	A
St. George Bank Ltd. [A/Stable/A-1]	
$250 mil perp cap secs	BBB+
Standard Commercial Tobacco Co., Inc	
$100 mil sr nts due 2005 (Gtd: Standard Commercial Corp.)	BB-
$200 mil global credit fac bank ln due 2001 (Gtd: Standard Commercial Corp.)	BB-
Stater Bros. Holdings Inc. [BB-/Stable/—]	
$100 mil sr sub nts due 2004	B
Tata Engineering & Locomotive Co. Ltd. (The) [BB+/Stable/—]	
credit rating	BB+/Stable/—
$200 mil 7.875% nts due 07/15/2007	BB+
Times Mirror Co. [A+/Stable/A-1]	
$250 mil shelf Sr Unsecd/Sub Debt 06/26/1997:	
sr unsecd (prelim)	A+
sub (prelim)	A
Toyota Motor Corp. [AAA/Stable/A-1+]	
$1 bil 6.25% straight bnds due 07/22/2002	AAA

SPREAD TO TREASURY BY RATING CATEGORY

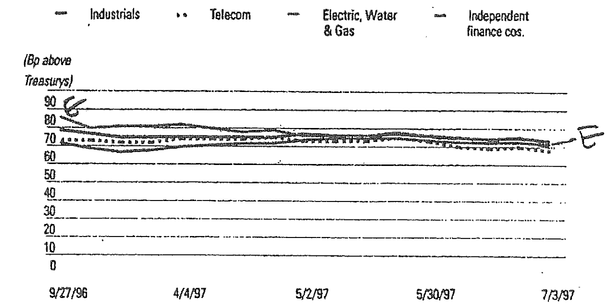
U.S. Industrial Credit Trends By Rating Category



ncludes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
: Standard & Poor's Fixed Income Research—BondComp.

strials spreads (bp)	AAA	AA	A	BBB
	51	65	79	105
	49	64	78	105

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Fixed Income Research—BondComp.

Sector spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent finance cos.
6/27/97	64	60	63	62
7/3/97	62	[illegible]	[illegible]	61

NEW RATINGS/Structured Finance

s Credit Grantor Trust 1997-1
31.781 mil marine receivable-bckd certs due 08/15/2013:
ıss A .... AAA

Dakota
5.4 mil stud ln rev bnds ser 1997B due 07/01/2027:
ıss A (bnd ins: Ambac Assurance Corp.) .... AAA
5.7 mil stud ln rev bnds ser 1997 A due 07/01/2002:
ıss A (bnd ins: Ambac Assurance Corp.) .... AAA

tar CBO 1997-2 Ltd./Northstar CBO 1997-2 (Delaware) Corp.
58 mil step-up coupon notes due 07/2009:
ıss A-1 ($15 mil) .... A-1+
ıss A-2 ($163 mil) .... AAA
ıss A-3 ($90 mil) .... A-

ispital Funding Ltd
14 mil amort med-term fltg rate nts due 01/08/2006 .... AAA

elphia Auth for Indl Dev
5.485 mil 6.488% tax claim collat rev bnds ser 1997 due 06/15/2004 .... AAA

on Brothers Inc.
32.8 mil mtg pass-thru certs ser 1997-1:
ıss A-1 ($31 mil) (bnd ins: Ambac Assurance Corp.) .... AAA
ıss A-2 ($24.2 mil) (bnd ins: Ambac Assurance Corp.) .... AAA
ıss A-3 ($14.5 mil) (bnd ins: Ambac Assurance Corp.) .... AAA
ıss A-4 ($12 mil) (bnd ins: Ambac Assurance Corp.) .... AAA
ıss A-5 ($21.14 mil) (bnd ins: Ambac Assurance Corp.) .... AAA

tised Australian Mortgage Trust 1997/1
225 mil 1 mo BBSW+0.21% pass-thru class A sr nts due
/08/2027:
ıss A .... AAA
7 mil 1 mo BBSW+0.36% pass-thru class B cert due 08/08/2027:
ıss A .... AA-

NEW RATINGS/Structured Finance

UCFC Acceptance Corp.
$600 mil home equity pass-thru certs ser 1997-B due 10/15/2028:
Class A-1, A-2, A-3, A-4, A-5, A-6 ($250 mil) (bnd ins: MBIA Insurance Corp., liq: United Companies Lending Corp.) .... AAA
Class A-7 ($350 mil) (bnd ins: MBIA Insurance Corp., liq: United Companies Lending Corp.) .... AAA

AAR Corp. [BBB/Stable/—]
credit rating .... BBB/Stable/— .... BBB-/Positive/—

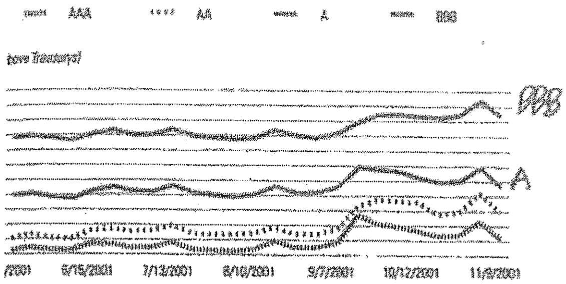
REVISED RATINGS

	To	From
$50 mil 7.25% nts due 10/15/2003	BBB	BBB-
$65 mil 9.5% sr nts due 11/01/2001	BBB	BBB-
$135 mil shelf-sr reg 08/27/91: sr unsecd (prelim)	BBB	BBB-
American Standard Inc. [BB/Stable/—]		
$250 mil 11 3/8% nts due 05/15/2004	—	BB-
Anglian Water PLC [AA-/Watch Neg/—]		
credit rating	AA-/Watch Neg/—	AA-/Stable/—
£150 mil 8.25% bnds due 11/29/2006	AA-/Watch Neg	AA-
GBP100 mil 5.125% index-linked ln stk due 07/02/2008 (Gtd: Anglian Water Services Ltd.)	AA/Watch Neg	AA
GBP60 mil 6.5% bnds due 08/24/1998	AA-/Watch Neg	AA-
Anglian Water Services Ltd. [AA/Watch Neg/—]		
credit rating	AA/Watch Neg/—	AA/Stable/—
Anheuser-Busch Cos. Inc. [A+/Stable/A-1]		
$850 mil shelf Sr Unsecd Debt 07/06/1995: sr unsecd (prelim)	—	A+
Archer Daniels Midland Co. [AA-/Watch Neg/A-1+]		
credit rating	AA-/Watch Neg/A-1+	AA-/Stable/A-1+
Sr Unsecd (9 issues)	AA-/Watch Neg	AA-
3(A)3 CP program	A-1+/Watch Neg	A-1+
$500 mil shelf-sr reg 11/01/93: sr unsecd (prelim)	—	AA-

7-16-97
2r

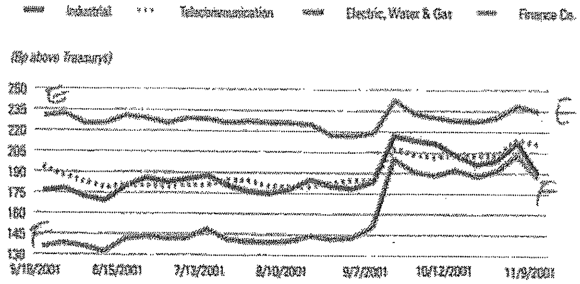
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



. Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
e: *Standard & Poor's Global Fixed Income Research.*

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

ndustrials Spreads (bp)	AAA	AA	A	BBB
001	156	194	229	318
001	135	170	205	298

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
11/2/2001	212	214	239	203
11/9/2001	190	211	235	187

NEW RATINGS

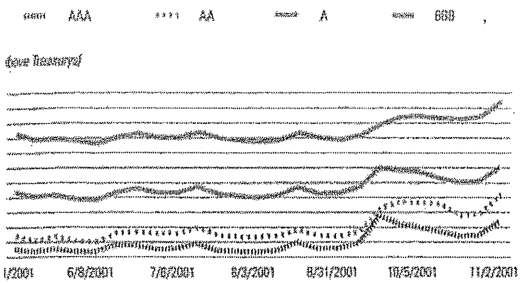
€100 mil 3.2% oeffentl pfandbriefe ser S332 due 09/15/2003 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 3.75% hypothekenpfandbrief ser S55 due 12/15/2003 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 3.875% hypothekenpfandbrief ser S56 due 09/30/2004 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4% hypothekenpfandbrief ser S45 due 05/17/2004 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.125% hypothekenpfandbrief ser S48 due 09/01/2004 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.25% hypothekenpfandbrief ser S39 due 09/30/2004 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.25% hypothekenpfandbrief ser S47 due 03/01/2005 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.25% hypothekenpfandbrief ser S48 due 09/26/2005 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.375% hypothekenpfandbrief ser S58 due 12/15/2005 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.5% hypothekenpfandbrief ser S42 due 08/26/2005 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.5% hypothekenpfandbrief ser S43 due 08/30/2006 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.75% hypothekenpfandbrief ser S38 due 01/12/2007 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.75% hypothekenpfandbrief ser S41 due 09/10/2007 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.75% hypothekenpfandbrief ser S59 due 03/07/2008 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 4.875% hypothekenpfandbrief ser S37 due 08/08/2007 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 5% oeffentl pfandbriefe ser S336 due 09/02/2009 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 5.1% oeffentl pfandbriefe ser S335 due 03/30/2010 (Gtd: Baden-Wuerttemberg (State of))	AAA

NEW RATINGS

€100 mil 5.125% oeffentl pfandbriefe ser S338 due 04/04/2011 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 5.15% oeffentl pfandbriefe ser S337 due 05/02/2011 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 5.25% oeffentl pfandbriefe ser S330 due 10/01/2010 (Gtd: Baden-Wuerttemberg (State of))	AAA
€100 mil 5.4% oeffentl pfandbriefe ser S333 due 08/15/2011 (Gtd: Baden-Wuerttemberg (State of))	AAA
€150 mil 5% oeffentl pfandbriefe ser S339 due 08/17/2009 (Gtd: Baden-Wuerttemberg (State of))	AAA
€2 bil 4.5% oeffentl pfandbriefe ser S334 due 08/24/2006 (Gtd: Baden-Wuerttemberg (State of))	AAA
Landesbank Hessen-Thueringen Girozentrale [AAA/Negative/A-1+]	
¥7 bil 1.7% bnds due 08/28/2015	AAA
Landeskreditbank Baden-Wuerttemberg - Foerderbank [AAA/Stable/A-1+]	
$1 bil 3.75% bnds due 11/05/2004 (Gtd: Baden-Wuerttemberg (State of))	AAA
Latvia (Republic of) *Local Currency* [A-/Stable/A-2] *Foreign Currency* [BBB/Positive/A-3]	
€200 mil 5.375% bnds due 11/27/2008	BBB
Laval (City of) [A+/Stable/—]	
credit rating	A+/Stable/—
LGT Bank in Liechtenstein AG [AA-/Stable/A-1+]	
$1 bil sr unsecd/S-T debt med-term nt prog : sr unsecd (Gtd: LGT Bank in Liechtenstein AG)	AA-
S-T debt (Gtd: LGT Bank in Liechtenstein AG)	A-1+
LGT Finance Ltd.	
$1 bil sr unsecd/S-T debt med-term nt prog : sr unsecd (Gtd: LGT Bank in Liechtenstein AG)	AA-
S-T debt (Gtd: LGT Bank in Liechtenstein AG)	A-1+
Lincoln National Capital V	
$150 mil trust pfd secs (Gtd: Lincoln National Corp.)	BBB

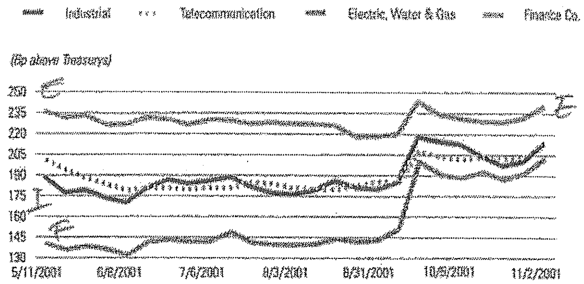
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



: Includes Yankee bond issues, 9+ years to maturity and minimum $100 million outstanding.
ce: *Standard & Poor's Global Fixed Income Research.*

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Industrials Spreads (bp)	AAA	AA	A	BBB
i/2001	138	168	211	298
2001	156	194	229	318

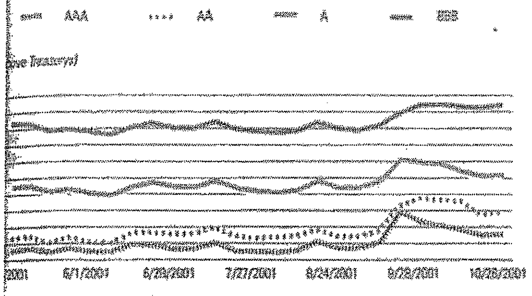
Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos.
10/26/2001	193	203	230	192
11/2/2001	212	214	239	203

NEW RATINGS

star Market Resources, Inc. [BBB+/Negative/—]	
$200 mil nts due 2011	BBB+
·Care Inc. [B+/Stable/—]	
$150 mil sr nts due 2008	B
$80 mil sr secd revolv credit fac bank ln due 09/30/2004	BB-
inische Hypothekenbank AG [A+/Watch Dev/A-1]	
€50 mil step up callable bnds ser 266 due 11/14/2007	A+/Watch Dev
Group S.A. [A-/Stable/A-2]	
€900 mil bank ln due 08/31/2006	A-
€2 bil sr unsecd Euro med-term nt prog: sr unsecd	A-
·way Inc. [BBB/Stable/A-2]	
$350 mil 3.625% nts due 11/05/2003	BBB
·m Cnty Indl Poll Ctl Fin Auth	
$25 mil Salem Cnty Poll Ctl Fing Auth poll ctl rev rfdg (PSEG Pwr LLC proj) Amt bnds ser 2001A due 04/01/2031	BBB
poro Bank Ltd. *Local Currency* [BBBpi/—/—]	
credit rating *Local Currency*	BBBpi/—/—
\B (The Swedish National Housing Finance Corp.) [AA-/Negative/A-1+]	
4(2) CP prog auth amt $2 bil	A-1+
shu Bank Ltd. *Local Currency* [BBpi/—/—]	
credit rating *Local Currency*	BBpi/—/—
gapore Telecommunications Ltd. [AA-/Stable/A-1+]	
credit rating	AA-/Stable/A-1+
$1.5 bil nts	AA-
$700 mil SingTel's Optus consideration bnds due 2008	AA-
S$1 bil 3.21% bnds due 03/15/2006	AA-
bank Nederland N.V. [A/Stable/A-1]	
$10 mil 8.02% index-linked nts due 06/09/2009	A
Skr3 bil 8% nts due 06/06/2006	A
Sony Global Treasury Services PLC.	
global CP prog auth amt $7 mil	A-1
Southwest Airlines Co. [A/Negative/—]	
$150 mil 5.1% Class A-1 pass-thru ser 2001-1 due 11/01/2007 (liq: Westdeutsche Landesbank Girozentrale)	AAA
$375 mil 5.496% class A-2 pass-thru ser 2001-1 due 05/01/2006 (liq: Westdeutsche Landesbank Girozentrale)	AAA
$89.25 mil 6.126% Class B pass-thru ser 2001-1 due 11/01/2006	A+
St. Paul Capital Trust I	
$300 mil var rate (7 1/2% - 8%) trust pfd secs (Gtd: St. Paul Cos. Inc.)	A-/Watch Neg
Stilwell Financial Inc. [A-/Stable/A-2]	
$500 mil sr nts due 2020	A-
Student Loan Marketing Assn.	
$500 mil 3.625% global nts due 09/30/2004	AAA
Telefonica Europe B.V.	
€1 bil 5.125% tranche A nts due 10/30/2006 (Gtd: Telefonica S.A.)	A+
€1 bil fltg-rt tranche B nts due 10/30/2004 (Gtd: Telefonica S.A.)	A+
Tesoro Petroleum Corp. [BB+/Positive/—]	
$215 mil 9.625% sr sub nts due 11/01/2008	BB-
Toys "R" Us Inc. [BBB+/Watch Neg/A-2]	
$316.6 mil revolv credit fac due 9/18/02 bank ln	BBB+
$633.3 mil bank ln due 09/18/2006	BBB+
Triton PCS Inc. [B+/Stable/—]	
$300 mil sr sub nts due 2011	B-
UbiquiTel Operating Co. [B-/Positive/—]	
$120 mil term A bank ln due 2007	B-
$125 mil term B bank ln due 2008	B-

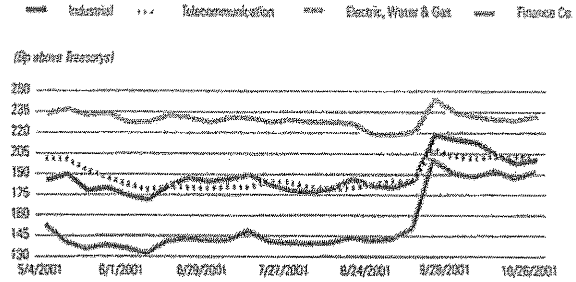
SPREAD TO TREASURY BY RATING CATEGORY

U.S. Industrial Credit Trends By Rating Category



Includes Yankee bond issues. 9+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Sector Relative Value Rating Category 'A'



Note: 5+ years to maturity and minimum $100 million outstanding.
Source: Standard & Poor's Global Fixed Income Research.

Industrials Spreads (bp)	AAA	AA	A	BBB
/2001	137	165	209	295
/2001	138	168	211	296

Sector Spreads (bp)	Industrial	Telecom	Electric, Water & Gas	Independent Finance Cos
10/19/2001	186	203	227	18
10/26/2001	189	203	230	19

NEW RATINGS

rge S.A. [BBB+/Negative/A-2]

250 mil 6.875% bnds due 11/06/2012	BBB+
€1 bil 5.875% nts due 11/06/2008	BBB+
€50 mil fltg rate nts due 04/19/2003	BBB+

O'Lakes Inc. [BB+/Stable/—]

$300 mil sr nts due 2011	BB

esbank Baden-Wuerttemberg [AAA/Negative/A-1+]

€1 bil fltg rate bnds ser S241 due 04/22/2003 (Gtd: Baden-Wuerttemberg (State of))	AAA

esbank Baden-Wuerttemberg Capital Markets PLC

$250 mil 5.25% nts due 07/19/2005 (Gtd: Landesbank Baden-Wuerttemberg)	AAA

wirtschaftliche Rentenbank [AAA/Stable/A-1+]

1 bil step up callable nts ser 375 due 11/01/2011	AAA

an Brothers Holdings Inc. [A/Stable/A-1]

$21 mil Prudential Research Universe Diversified Equity nts (Prudents) Sm due 07/02/2006	A
$42 mil 7.8% med-term nts ser E due 07/07/2005	A
$50 mil fltg rate Fed Funds 0.35% med-term nts ser G due 04/16/2003	A

ds TSB Bank PLC [AA/Stable/A-1+]

$25 mil var rate callable nts ser 266 due 01/09/2012	AA
$30 mil fltg rate callable nts ser 265 due 08/30/2011	AA
162.5 mil trigger linked fltg rate int and trigger linked redemption nts ser 256 due 07/25/2002	A-1+

ogic Corp. [BB-/Stable/—]

$450 mil 4% conv sub nts due 11/01/2006	B

kenzie Income Trust

C$203 mil pfd shares A units	BBB

NEW RATINGS

Marks & Spencer PLC [A/Stable/A-1]

€375 mil 6.375% nts due 11/07/2011	A
€550 mil 5.125% nts due 11/07/2006	A

Marylebone Road CBO 3 B.V.

€850 mil pool of reference credits and €89.25 mil med-term nts due 10/12/2013	AAA

Meditrust Exercisable Put Options Securities Trust [BB-/Watch Neg/—]

credit rating	BB-/Watch Neg/—

Merrill Lynch & Co. Inc. [AA-/Negative/A-1+]

$30.24 mil fltg rate nts ser 946 due 08/19/2006	AA-
¥5.2 bil 0.1% nts ser 979 due 07/01/2005	AA-
¥5.6 bil 2% fxd/CMS linked callable nts ser 971 due 07/05/2016	AA-

Montreal (City of) [A+/Stable/—]

$34 mil fltg rate nts due 11/14/2011	A+
Nkr400 mil 6.75% nts due 11/26/2008	A+

New South Wales Treasury Corp.

6% A$ benchmark bnds due 05/01/2012 (Gtd: New South Wales (State of))	AAA

Newmont Mining Corp. [BBB/Negative/—]

$200 mil 364 day revolv credit fac bank ln	BBB
$400 mil revolv credit fac due 2006 bank ln	BBB

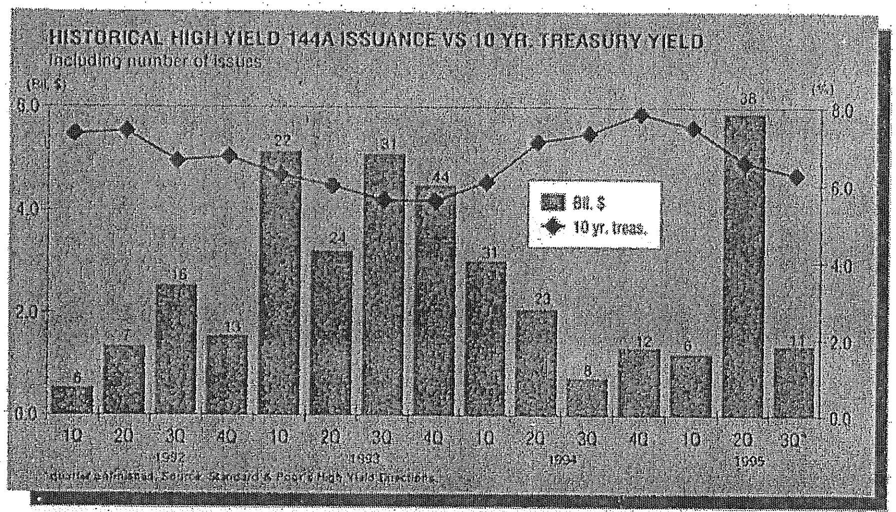
NIB Capital Bank N.V. [AA-/Negative/A-1+]

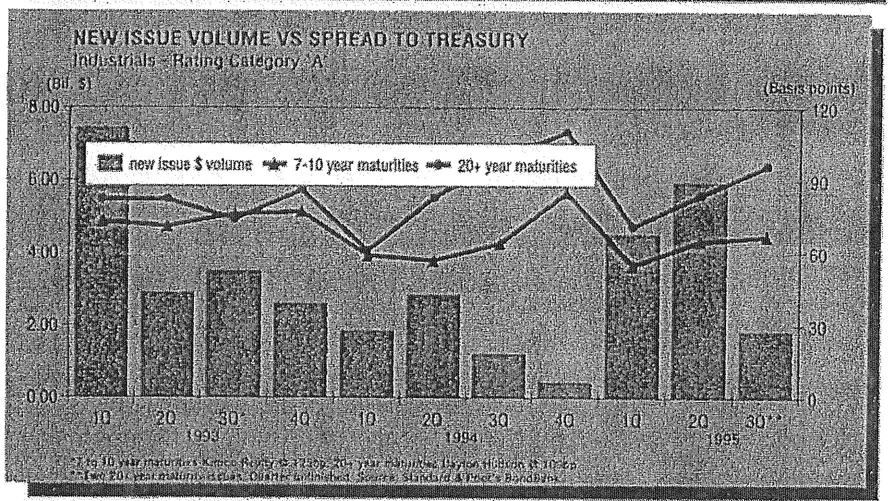
¥10.08 bil 5% nts ser 601 due 05/29/2002	AA-
¥5 bil 5% knock-out dual curr nts ser 594 due 04/18/2005	AA-
¥6.53 bil 5% equity linked redemption nts ser 615 due 06/06/2002	AA-
€500 mil fltg rate nts due 05/22/2006	AA-

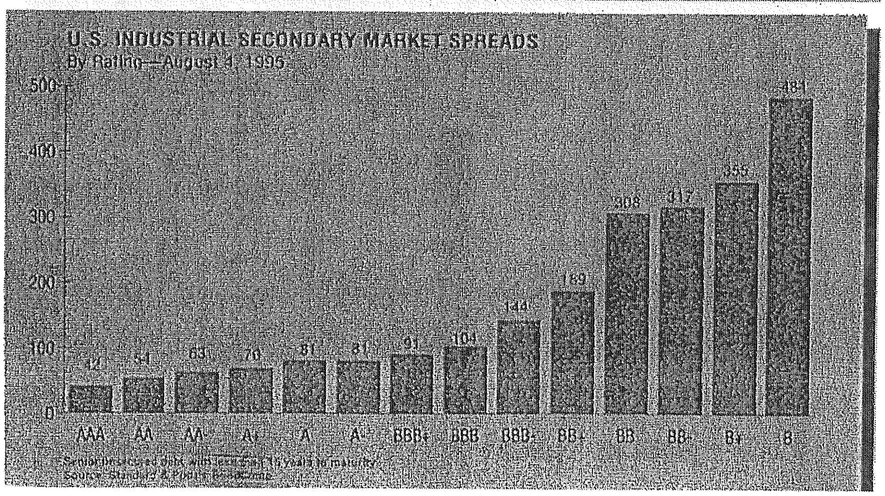
Nordic Investment Bank [AAA/Stable/A-1+]

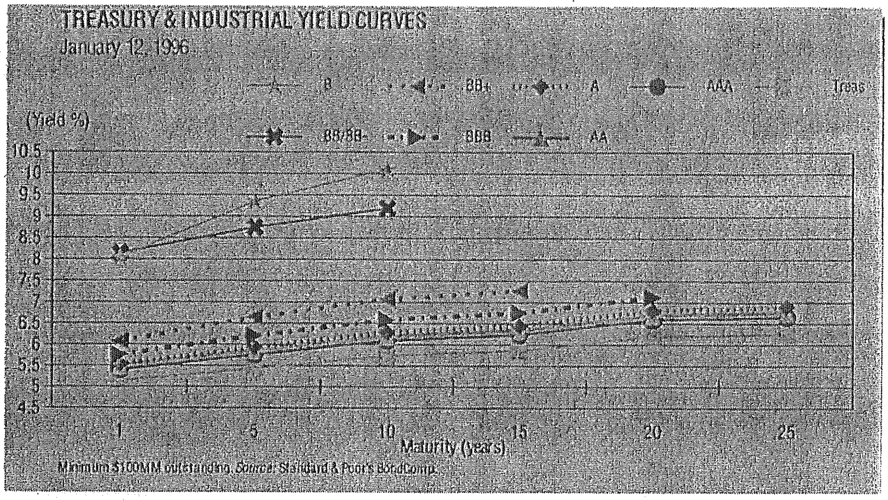
$10 mil cms-linked nts ser 326 due 10/24/2011	AAA

NEW ISSUANCE VOLUME & SPREADS



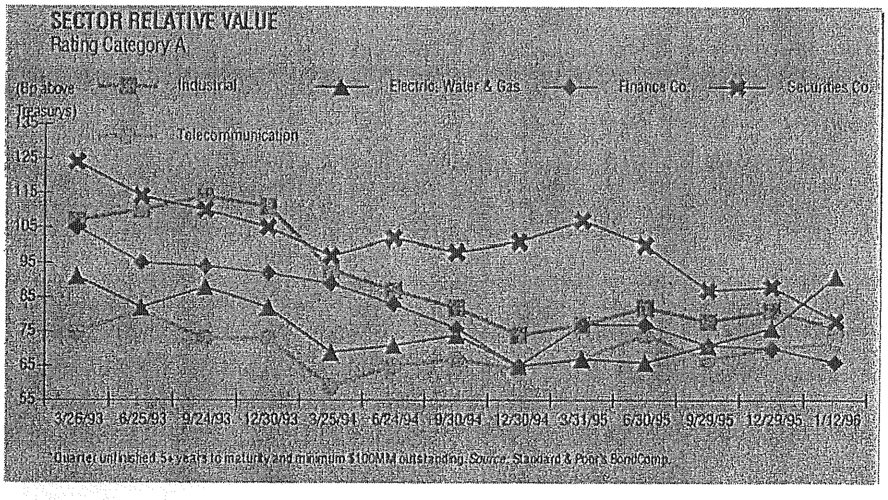






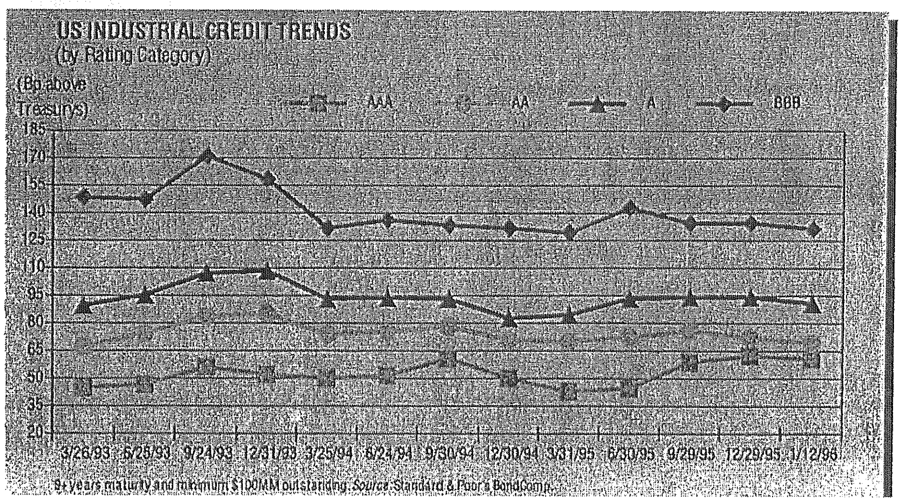
TREASURY & INDUSTRIAL YIELD CURVES
January 12, 1996

Minimum $100MM outstanding. *Source:* Standard & Poor's BondComp.



SECTOR RELATIVE VALUE
Rating Category A

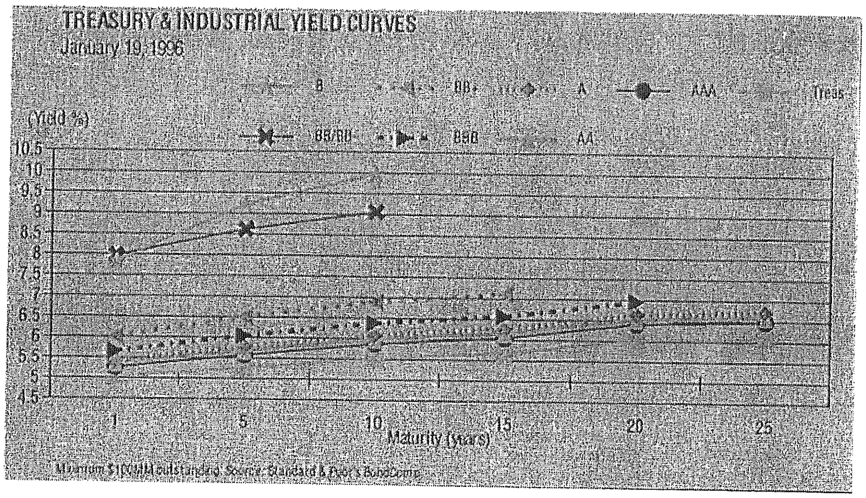
Quarter unfinished 5+ years to maturity and minimum $100MM outstanding. *Source:* Standard & Poor's BondComp.

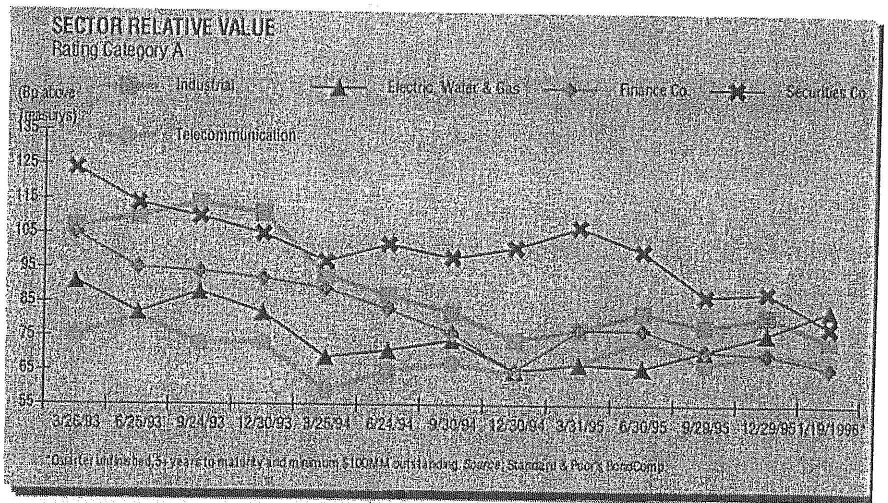


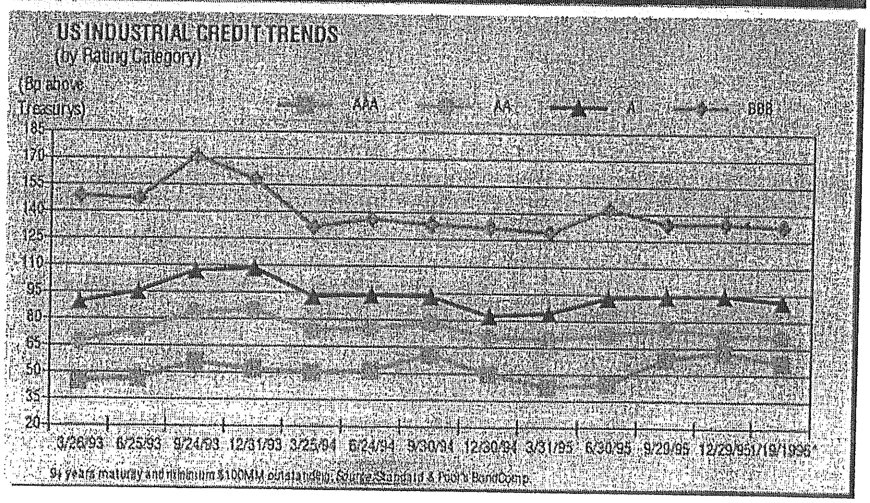
US INDUSTRIAL CREDIT TRENDS
(by Rating Category)

9+ years maturity and minimum $100MM outstanding. *Source:* Standard & Poor's BondComp.

NEW ISSUANCE VOLUME & SPREADS







CASE: UM 1209
WITNESS: Maury Galbraith

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 400

Direct Testimony

November 21, 2005

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Maury Galbraith. My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551. I am employed by the Public Utility Commission of Oregon (OPUC) as an Economic Analyst in the Electric and Natural Gas Division.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. My Witness Qualifications Statement is found on Exhibit Staff/401, Galbraith/1.

Introduction

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Following the framework adopted by Administrative Law Judge Smith, my testimony addresses Transmission and Resource Investments and Renewable Resources and Energy Efficiency. I provide analysis and evaluation of MidAmerican Energy Holding Company (MEHC) commitments related to:

- Integrated Resource Planning (Commitments 31 and 49);
- Competitive bidding for generation resources (Commitments 32 and 40);
- Transmission investment (Commitments 35 and 37);
- Acquisition of renewable resource projects (Commitment 41);
- Reduction of greenhouse gas emissions (Commitment 43); and
- Energy efficiency and demand-side management (Commitment 45).

Commitments 31 and 49: Integrated Resource Planning

Q. PLEASE SUMMARIZE MEHC COMMITMENT 31.

A. MEHC commits to have PacifiCorp produce Integrated Resource Plans according to the then current Commission rules. *See* PPL/309, Gale/5.

Q. DOES MEHC COMMITMENT 31 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Irrespective of MEHC's proposed acquisition, PacifiCorp will continue to be subject to the Commission's Integrated Resource Planning (IRP) guidelines. PacifiCorp has abided by the Commission's IRP guidelines in the past and Staff would expect continued compliance absent the proposed transaction. The fact that the Commission is currently reviewing its IRP guidelines in Docket UM 1056 has no impact on my conclusion.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 49.

A. MEHC commits to have PacifiCorp provide public notice and an invitation to stakeholders to participate in PacifiCorp's IRP process. *See* PPL/309, Gale/10.

Q. DOES MEHC COMMITMENT 49 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Public involvement in the development of Integrated Resource Plans is a key procedural element of IRP. *See* Order No. 89-507. PacifiCorp's current practice is to use its IRP Mailbox (at IRP@Pacificorp.com) to provide public notice and invite stakeholders to IRP Public Input Meetings.

Irrespective of MEHC's proposed acquisition, I would expect PacifiCorp to continue this practice in order to satisfy the Commission's public involvement guideline. The fact that the Commission is currently reviewing its IRP guidelines in Docket UM 1056 has no impact on my conclusion.

Commitments 32 and 40: Competitive Bidding for Generation Resources

Q. PLEASE SUMMARIZE MEHC COMMITMENT 32.

A. MEHC commits to comply with state laws, regulations and orders that pertain to procurement of new generation resources. *See* PPL/309, Gale/5.

Q. DOES MEHC COMMITMENT 32 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Irrespective of MEHC's proposed acquisition, PacifiCorp will continue to be subject to the Commission's Competitive Bidding guidelines. PacifiCorp has abided by the Commission's Competitive Bidding guidelines in the past and Staff would expect continued compliance absent the proposed transaction. The fact that the Commission is currently reviewing its competitive bidding guidelines in Docket UM 1182 has no impact on my conclusion.

Q. PLEASE SUMMARIZE MEHC COMMITMENT 40.

A. In addition to MEHC Commitment 32, for the next ten years, MEHC commits to submit as part of any Request for Proposal (RFP) for generation resources a 100 MW or more utility "own/operate" proposal for the particular resource. *See* PPL/309, Gale/8.

Q. DOES MEHC COMMITMENT 40 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. The addition of a PacifiCorp "own/operate" option to each PacifiCorp RFP issued in the next ten years would create a series of potential benefits and costs. The addition of a PacifiCorp ownership option to an RFP would be a benefit if it turns out to be one of the best resources or otherwise disciplines the bids of other competitors. The addition of a PacifiCorp ownership option to a RFP would be a cost if it is chosen over better resource options or otherwise creates the perception of a biased or unfair competitive bidding process. The net impact of Commitment 40 is ambiguous and not readily quantifiable.

Commitment 35: Transmission Investment

Q. PLEASE SUMMARIZE MEHC COMMITMENT 35.

A. MEHC commits to use best efforts to develop three incremental transmission projects (i.e., Path-C Upgrade, Mona – Oquirrh, and Walla Walla – Yakima or Mid-C). The estimated cost of these projects totals $362 million. *See* PPL/309, Gale/6.

Q. WHAT DOES THE PHRASE 'USE BEST EFFORTS' MEAN?

A. MEHC indicates that:

> …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.

See PPL/309, Gale/6, Footnote 1. I interpret the phrase 'use best efforts' to mean that MEHC will develop these transmission projects only if the projects are cost-effective or optimal for customers.

Q. HAS MEHC DETERMINED THAT THESE TRANSMISSION INVESTMENTS ARE COST-EFFECTIVE OR OPTIMAL FOR CUSTOMERS?

A. No. MEHC indicates that it is continuing to review these investments.

Q. HAS PACIFICORP EVALUATED THESE TRANSMISSION INVESTMENTS AS PART OF ITS IRP PROCESS?

A. Yes, in part. In its 2004 Integrated Resource Plan Update (2004 IRP Update), filed with the Commission on November 4, 2005, PacifiCorp evaluated the impact of MEHC's commitment to upgrade Path-C. *See* PacifiCorp's 2004 IRP Update at 33-34 and 38-39. Portfolio 2, which includes resources designed to complement the Path-C transmission upgrade, resulted in an improvement of $161.68 million compared to a modified version of the 2004 IRP Preferred Portfolio. PacifiCorp determined Portfolio 2 to be the new least-cost, least-risk portfolio and included the Path-C upgrade as part of its Updated Action Plan. *See* PacifiCorp's 2004 IRP Update at 45-46.

Q. HAS PACIFICORP COMMITTED TO INVEST IN THE PATH-C UPGRADE?

A. Yes, with qualification. PacifiCorp has stated that its Updated Action Plan will be the primary driver for its resource procurement going forward. However, although PacifiCorp expects to implement the plan as described, it cautions that the plan is subject to change as new information becomes available or as circumstances change. *See* PacifiCorp's 2004 IRP Update at 48.

Q. DOES MEHC'S COMMITMENT TO INVEST IN THE PATH-C UPGRADE PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Presumably PacifiCorp would pursue its Updated Action Plan with or without MEHC.

Q. IN THE EVENT THAT ANY OF THE THREE TRANSMISSION INVESTMENTS ARE NOT COST-EFFECTIVE OR OPTIMAL, IS MEHC'S PLEDGE MEANINGFUL TO BRING FORWARD ALTERNATIVE INVESTMENTS WITH COMPARABLE BENEFITS?

A. No. If, after further review, MEHC determines that any of three proposed transmission projects are not optimal (i.e., the net present value project costs exceed the net present value customer benefits), then proposing an alternative with comparable benefits does not make logical sense. A low level of customer benefits could be the reason the investment is not optimal. I interpret MEHC's pledge to be that it would be willing to bring forward alternative optimal investments with comparable costs. I do not find a benefit in this pledge in the context of ORS 757.511.

Q. CAN YOU SUCCINCTLY STATE YOUR INTERPRETATION OF MEHC COMMITMENT 35?

A. Yes. MEHC has committed to use its best efforts to pursue optimal investments and is willing to spend approximately $362 million on transmission investment through 2011.

Q. DOES MEHC'S WILLINGNESS TO SPEND APPROXIMATELY $362 MILLION ON TRANSMISSION INVESTMENT PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. MEHC's willingness to spend approximately $362 million on transmission investment is not a direct or quantifiable benefit for two main reasons. First, it is unclear if $362 million is too much, too little, or the optimal amount of transmission investment. If the total cost of cost-beneficial transmission projects is less than $362 million, then MEHC is committing to spend too much. If the total cost of cost-beneficial transmission projects is more than $362 million, then MEHC is committing to spend too little. Second, it is unclear if MEHC's willingness to invest is greater than, less than, or equal to ScottishPower's willingness to invest on a going-forward basis. MEHC witness Mr. Abel asserts that MEHC's higher willingness to invest provides greater certainty that prudent investment will be made in a timely manner. See PPL/100, Abel/13-14. However, Mr. Abel also states that, while he believes the benefit of MEHC's long-term ability and willingness to invest in energy infrastructure is significant and real, the benefit is not readily quantifiable. *See* PPL/100, Abel/23.

Q. IS MEHC'S WILLINGNESS TO INVEST IN ENERGY INFRASTRUCTURE SIGNIFICANT AND REAL?

A. The significance of MEHC's willingness to invest in energy infrastructure is addressed by Staff witness Mr. Conway. *See* Staff/100.

<u>Commitment 37: Regional Transmission Issues</u>

Q. PLEASE SUMMARIZE MEHC COMMITMENT 37.

A. MEHC commits to assist PacifiCorp and the states reach consensus on development of regional transmission projects. *See* PPL/309, Gale/7.

Q. DOES COMMITMENT 37 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Irrespective of MEHC's proposed acquisition, Staff would expect PacifiCorp to continue to commit resources and leadership to assist the states in which PacifiCorp serves to develop appropriate transmission infrastructure. More specifically, we would expect PacifiCorp to continue to assist the Bonneville Power Administration in its development of short-term products such as conditional firm and re-dispatch products.

Q. DOES STAFF BELIEVE THAT THERE ARE LIKELY MANY COST-BENEFICIAL TRANSMISSION OPPORTUNITIES IN THE WESTERN UNITED STATES?

A. Yes. Staff will continue to monitor the issue of transmission investment regardless of ownership of PacifiCorp and support such projects when deemed to be economically justified and considering whether other beneficiaries of such projects should contribute in some manner.

Commitment 41: Renewable Resource Projects

Q. PLEASE SUMMARIZE MEHC COMMITMENT 41.

A. MEHC reaffirms PacifiCorp's commitment to acquire 1,400 MW of new cost-effective renewable resources. *See* PPL/309, Gale/8.

Q. DOES COMMITMENT 41 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. In its 2004 IRP Update, PacifiCorp indicated that it intends to move forward on cost-effective renewable projects bid into its 2004 renewable resources RFP. Following completion of negotiations for projects that can be on line prior to December 31, 2007, PacifiCorp intends to close the 2004 RFP and start a new renewable resource procurement process. *See* PacifiCorp 2004 Integrated Resource Plan Update at 48. Reaffirmation of an existing and on-going PacifiCorp commitment fails to provide a benefit in the context of ORS 757.511.

Commitment 43: Reduction of Greenhouse Gas Emissions

Q. PLEASE SUMMARIZE MEHC COMMITMENT 43.

A. MEHC commits to have PacifiCorp participate in the Environmental Protection Agency's SF_6 Emission Reduction Partnership. Through this partnership, MEHC will have PacifiCorp commit to an appropriate emissions reduction goal for this highly potent greenhouse gas. *See* PPL/309, Gale/8-9.

Q. DOES COMMITMENT 43 PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. MEHC Commitment 43, when considered as part of a global effort to reduce greenhouse gas emissions, has the potential to benefit future generations of Oregonians, however, it does not provide an incremental benefit to the current generation of Oregon ratepayers. This commitment appears to be more targeted towards addressing harm to the public generally.

<u>Commitment 45: Energy Efficiency and Demand-Side Management</u>

Q. PLEASE SUMMARIZE MEHC COMMITMENT 45.

A. MEHC commits to conducting a company-defined third-party study to identify deliverable demand-side management (DSM) opportunities within PacifiCorp's service area. The Company commits to have MEHC shareholders absorb the first $1 million of the costs of the study. MEHC also commits to meeting PacifiCorp's portion of the Northwest Power and Conservation Council's energy efficiency targets for Oregon, Washington, and Idaho, as long as they can be achieved in a manner deemed cost-effective by the affected states. Finally, MEHC commits to annual collaboration between PacifiCorp and MidAmerican Energy Company to identify incremental DSM programs that might be cost-effective for PacifiCorp customers. *See* PPL/309, Gale/9-10.

Q. HAS STAFF RECENTLY RECOMMENDED THAT PACIFICORP CONDUCT A CONSERVATION POTENTIAL STUDY FOR ITS ENTIRE SERVICE AREA?

A. Yes. In Docket LC 39, concerning PacifiCorp's 2004 Integrated Resource Plan, Staff recommended that prior to the next IRP or Action Plan brought forward for Commission acknowledgement PacifiCorp:

> Conduct an economic analysis of achievable Class 1 and Class 2 DSM measures in PacifiCorp's service area over the IRP study period and assess how the company's base and planned programs compare with the cost-effective amounts determined in the study.

See Staff Report on PacifiCorp's 2004 Integrated Resource Plan presented at the Commission's Special Public Meeting on August 1, 2005.

In the Commission's recent investigation of its guidelines for Integrated Resource Planning (Docket UM 1056), Staff commented:

> Planning for demand-side management remains an integral part of the resource planning process for all utilities in determining the least-cost/least-risk portfolio. Therefore, all utilities should be responsible for assessing conservation potential. Where a statutory requirement mandates certain conservation provisions, such as third-party program funding and administration, the utility should work cooperatively with that party on studies of conservation potential.

See Staff Opening Comments in Docket UM 1056 at 13.

Q. DOES MEHC'S COMMITMENT TO CONDUCT A CONSERVATION POTENTIAL STUDY FOR PACIFICORP'S ENTIRE SERVICE AREA

PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No, for two reasons. First, a conservation potential study is a planning tool for assessing conservation potential. A conservation study simply identifies opportunities for cost-effective DSM. To provide incremental value to Oregon ratepayers, PacifiCorp would also need to follow through and implement the cost-effective DSM programs. Second, as I indicated earlier, irrespective of MEHC's proposed acquisition, PacifiCorp will continue to be subject to the Commission's IRP guidelines. Staff believes that equal consideration of DSM will continue to be an integral part of the Commission's IRP guidelines. PacifiCorp has abided by the Commission's IRP guidelines in the past and Staff would expect continued compliance absent the proposed transaction. This commitment does not provide a benefit in the context of ORS 757.511.

Q. DOES MEHC'S COMMITMENT TO HAVE SHAREHOLDERS ABSORB THE FIRST $1 MILLION IN COSTS FOR THE CONSERVATION POTENTIAL STUDY PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. The Energy Trust of Oregon (ETO) recently issued a solicitation for a study of achievable conservation potential through 2017. The ETO study, funded by Oregon public purpose charges, will cover PacifiCorp's Oregon service area. PacifiCorp's Oregon ratepayers have already paid for a conservation potential study and, therefore, it is doubtful that PacifiCorp would be able to recover the cost of second study for its Oregon service area in rates. In addition, whether ORS 757.612 would allow PacifiCorp to recover in rates the cost of a conservation potential study for its Oregon service area remains an unresolved legal issue. *See* Docket UM 1169. MEHC's commitment to have shareholders absorb the first $1 million spent on a conservation study does not provide incremental value because Oregon ratepayers have already paid for the ETO study.

Q. DOES MEHC'S COMMITMENT TO MEET PACIFICORP'S SHARE OF THE NORTHWEST POWER AND CONSERVATION COUNCIL'S ENERGY EFFICIENCY TARGETS FOR OREGON, WASHINGTON, AND IDAHO PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. MEHC qualifies its commitment by adding that it will meet PacifiCorp's share of the targets only if it can be done in a manner deemed to be cost-effective by the affected states. A substantive goal of the Commission's IRP process is to identify a least-cost, least-risk resource portfolio. To achieve this goal PacifiCorp must give equal consideration to demand-side and supply-side resources. Irrespective of the proposed transaction, Staff expects PacifiCorp to continue to identify and acquire cost-effective demand-side resources in its service area. MEHC's commitment simply restates PacifiCorp's current resource planning and acquisition practices, and therefore does not provide incremental value to Oregon ratepayers.

Q. DOES MEHC'S COMMITMENT TO ANNUAL COLLABORATION BETWEEN MIDAMERICAN ENERGY COMPANY AND PACIFICORP TO IDENTIFY COST-EFFECTIVE DSM AND CONSERVATION PROGRAMS PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No. Any ratepayer benefit from collaboration between PacifiCorp and MidAmerican Energy Company to identify cost-effective DSM programs is not readily quantifiable.

Q. DO THE COMMITMENTS MADE IN MEHC COMMITMENT 45, TAKEN ALL TOGETHER, PROVIDE INCREMENTAL VALUE TO PACIFICORP'S OREGON RATEPAYERS?

A. No.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Maury Galbraith

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 401

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME: Maury Galbraith

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Economist, Energy Division

ADDRESS: 550 Capitol Street NE Suite 215
Salem, Oregon 97301-2551

EDUCATION: Graduate Student in Environmental Studies Program (1995 – 1997)
University of Montana
Missoula, Montana

Master of Arts in Economics (1992)
Washington State University
Pullman, Washington

Bachelor of Science in Economics (1989)
University of Oregon
Eugene, Oregon

EXPERIENCE: The Public Utility Commission of Oregon has employed me since April 2000. My primary responsibility is to provide expert analysis of issues related to power supply in the regulation of electric utility rates.

From April 1998 through March 2000 I was a Research Specialist with the State of Washington Office of the Administrator for the Courts in Olympia, Washington.

From April 1993 through August 1995 I was a Safety Economist with the Pacific Institute for Research and Evaluation in Bethesda, Maryland.

CASE: UM 1209
WITNESS: Ed Durrenberger

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 500

Direct Testimony

REDACTED VERSION

November 21, 2005

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Ed Durrenberger. My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551. I am employed by the Public Utility Commission of Oregon (OPUC) as a Senior Revenue Requirement Analyst for the Rates and Tariffs Section in the Electric and Natural Gas Division.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. My Witness Qualifications Statement is found on Staff/501, Durrenberger/1.

Q. WHAT IS YOUR ROLE IN THIS DOCKET?

A. I am the Staff analyst investigating Financial Forecasts, Certain Operating and Maintenance Costs, Coal Supply and Generation and Environmental Issues as they relate to the proposed acquisition of PacifiCorp (company) by MidAmerican Energy Holdings Company (MEHC) ("applicant").

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will evaluate a number of the individual Commitments made by the applicants related to the issue of Infrastructure and Resource Investments. Additionally I examined the effect on future revenue requirement that the capital and expense items in the commitments would cause should the Commission find them to be prudent in a future rate case.

Q. HAVE YOU PREPARED ANY EXHIBITS?

A. Yes. I prepared Staff/501, consisting of one page and Staff/502, consisting of 14 pages.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized based on the structure identified by the Administrative Law Judge in her Ruling dated November 1, 2005.

<u>Infrastructure and Resource Investments</u>

Q. WHAT IS THE FIRST COMMITMENT YOU HAVE EVALUATED REGARDING RESOURCE OR INFRASTRUCTURE INVESTMENTS?

A. I evaluated the applicant's Commitment 36 (b) involving investment in local transmission risk projects across all PacifiCorp states with a monetary commitment of $69 million over eight years.

Q. WHAT ARE LOCAL TRANSMISSION RISK PROJECTS?

A. The applicant has described local transmission risk projects as small relatively low cost improvement projects to existing transmission systems that could improve reliability to local transmission systems. Neither MEHC nor PacifiCorp has provided detail as to the number, location or magnitude of these projects although there are pending data request responses that may provide answers to these questions.

Q. DOES COMMITMENT 36(b) PROVIDE A BENEFIT FOR OREGON CUSTOMERS THAT WOULD NOT OCCUR ABSENT THE ACQUISITION?

A. No, MECH has not explained which projects this Commitment applies to, nor is there any evidence that any of these local transmission risk projects would occur in Oregon or affect reliability or service for Oregon customers. Staff data request have been issued and an answer is pending. *See* Staff/502, Durrenberger/ 1 In the absence of specifics I am unable to conclude that Commitment 36(b) creates a benefit for PacifiCorp's Oregon customers.

Q. DID YOU INVESTIGATE OTHER TRANSMISSION AND DISTRIBUTION MATTERS?

A. Yes, I looked at Commitments 36(c) and (d). Commitment 36(c) is a commitment for the Accelerated Distribution Circuit Fusing program funding to be increased by $1.5 million per year for 5 years after the transaction.

Q. DOES THIS COMMITMENT PROVIDE A BENEFIT TO OREGON CUSTOMERS?

A. This commitment is not tied to an improvement in the reliability guarantees the company and the Commission currently have agreed to as part of their comprehensive Service Quality Measures (SQM). Since this contains no clear and verifiable statement of benefit such as a 10% improvement to one of the SQM metrics, I cannot conclude that this Commitment represents a benefit to Oregon customers.

Q. WHAT IS COMMITMENT 36(d)?

A. Commitment 36(d) is an extension for three years across all PacifiCorp states for the Saving SAIDI initiative.

Q. WHAT IS SAIDI?

A. SAIDI stands for System Average Interruption Duration Index. It is an indication of the amount of time the customer is without power over the year. It along with SAIFI, an outage frequency index and CAIDI which measures outages by customers, are all ways to measure a utility's performance.

Q. WHAT DOES COMMITMENT 36(d) MEAN TO OREGON CUSTOMERS?

A. The Oregon Commission has entered into a SQM agreement with PacifiCorp that was recently extended for ten more years. SAIDI is one of the service quality measures in this program. PacifiCorp currently operates within the thresholds that have been established in the SQM. Since the SAIDI service metrics will be in place for at least ten years I cannot conclude that extending the Saving SAIDI Initiative for an additional three years from the date of the acquisition has any incremental value to Oregon customers.

Q. ARE THERE ANY OTHER COMMITMENTS RELATED TO INFRASTRUCTURE AND RESOURCE INVESTMENTS THAT YOU EVALUATED?

A. Yes. I evaluated the applicant's Commitment 42 under which MEHC and PacifiCorp commit to consider utilizing advanced coal-fuel technology when adding coal-fueled generation. I wholeheartedly support the development and application of clean coal technology, but the language of this Commitment does not contain a measurable or enforceable action plan. Some of the advanced coal-fuel technology mentioned in the Commitment, specifically Integrated Gasification Combined Cycle (IGCC), does not appear to be fully proven in the market place. *See* Staff/502, Durrenberger/ 2-10 Furthermore, the applicant is merely committing to something that is required by a prudently operated regulated utility, and as such Commitment 42 does not add an incremental benefit. PacifiCorp's current Integrated Resource Plan (IRP) contains a discussion about the ongoing investigation into clean coal technology, further demonstrating that this is not an incremental benefit and as such adds no value to the transaction. *See* Staff/502, Durrenberger/11-12

Q. DID YOU ANALYZE OTHER COMMITMENTS RELATED TO INFRASTRUCTURE AND RESOURCES?

A. Yes, I investigated the applicants' Commitment 44.

Q. WHAT IS YOUR OPINION ABOUT COMMITMENT 44?

A. Commitment 44 proposes to accelerate spending on emission control equipment to meet expected emission limits in advance of when the limits become effective. PacifiCorp has indicated that the proposed equipment is proven technology and that some of the incremental investment may actually involve moving a project that is on a long range capital plan up to the certainty of installing it within a few years after the acquisition. By committing to install this equipment now the company may gain some advantages. For instance, there is an advantage to being able to schedule the installations in conjunction with regular outages and save on costly power purchases. It may also save on capital costs by "beating the rush" in procuring the equipment. And, an obvious benefit is that the equipment will help reduce coal-fueled generating plant emissions, so early installation is advantageous.

Q. ARE THERE POTENTIAL RISKS OF ADDING EMISSION REDUCTION EQUIPMENT BEFORE THE FEDERAL GOVERNMENT ESTABLISHES NEW EMISSION STANDARDS?

A. Yes. There is uncertainty in installing control equipment ahead of the regulations in that the equipment may not be sufficient to meet governmental emission targets, or there may be technological improvements available at a later date closer to when the new emission targets go into effect.

Q. WHAT DO YOU CONCLUDE ABOUT COMMITMENT 44?

A. While Staff supports cost-effective reductions in harmful emissions, it is difficult to evaluate the merits of MEHC's proposal, and it raises risks in that capital expenditures will be made that may not be the most efficient technology. Staff also notes that Commitment 44 seems to be more relevant for the consideration of the public in general as compared to PacifiCorp customers. This is because emission reduction programs benefit society in general. PacifiCorp customers would presumably pay for the investments found to be prudent. On the whole I cannot conclude that this commitment provides a value that should be considered in determining net benefit from the transaction.

Q. WHAT OTHER COMMITMENTS HAVE YOU LOOKED AT?

A. I reviewed Commitment 24 whereby PacifiCorp would continue the Blue Sky tariff offering in all states[1]. In Oregon the utility is already required by ORS 757.603(12)(a) to offer a renewable energy program. Furthermore, this program is designed to be revenue neutral because any additional costs to use green power are covered by a surcharge paid by customers signing up for the program. This commitment has no incremental value insofar as the acquisition is concerned.

Q. DID YOU EVALUATE OTHER COMMITMENTS THAT MEHC HAS MADE?

A. I investigated Commitments 25 and 26. Commitment 25 states that PacifiCorp would continue to gather outside input on environmental matters from groups such as the Environmental Forum.

Q. WHO IS THE ENVIRONMENTAL FORUM?

A. The Environmental Forum (Forum) is a group put together by PacifiCorp "…consisting of external parties representing a range of stakeholder interests." *See* Staff/502, Durrenberger/ 13 The Forum has ten members and they are affiliated with renewable, environmental and natural resource groups although they do not necessarily represent these groups at the Forum. The Environmental Forum exists to meet the requirements of the

[1] "Blue Sky" is the renewable energy program at PacifiCorp.

IRP standards and guidelines and is used to review environmental externalities of alternate resources.

Q. DOES COMMITMENT 25 PROVIDE A BENEFIT?

A. Not insofar as the acquisition is concerned. The Forum is part of a PacifiCorp business process. It is not an incremental benefit as a result of the acquisition.

Q. WHAT IS YOUR EVALUATION OF COMMITMENT 26?

A. Commitment 26 requires PacifiCorp to continue to self certify its environmental management systems, to ISO 14001 standards at all its thermal generating plants. This Commitment does not have an incremental value that provides an additional benefit to the transaction because it is currently in place. No evidence was presented that the program would not continue absent the acquisition. Additionally, the environmental monitoring and controls are prescribed in the emission permits.

<u>Other Effects of the Proposed MEHC Transaction</u>

Q. HAVE YOU INVESTIGATED OTHER ASPECTS OF THE PROPOSED TRANSACTION?

A. Yes. I have examined the implications to customer rates of the incremental $1.3 billion dollars in improvements to the PacifiCorp infrastructure that allegedly would occur but for the application.

Q. WHAT IS THE PURPOSE OF THIS EVALUATION?

A. The purpose is to review the impacts to customers, focusing on the rate impacts from the investments. CONFIDENTIAL/[redacted] /CONFIDENTIAL The spending is detailed over a nine year period and represents both the capital investments and expense savings and costs contained in the applicants commitments. I estimate the rate impact on customers to roughly equate to CONFIDENTIAL/ [redacted] /CONFIDENTIAL

Q. DOES THIS REPRESENT HARM TO CUSTOMERS?

A. The Commission will only allow fair and reasonable cost into rates at the time it evaluates whether these investments are prudent. Therefore, I cannot conclude that this is a harm or benefit for the purposes of this proceeding.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Ed Durrenberger

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 501

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME: ED DURRENBERGER

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: SENIOR REVENUE REQUIREMENT ANALYST, RATES AND TARIFFS, ELECTRIC AND NATURAL GAS DIVISION

ADDRESS: 550 CAPITOL ST. NE, SALEM, OR 97310-1380

EDUCATION: BACHELOR OF SCIENCE, MECHANICAL ENGINEERING 1979

EXPERIENCE: EMPLOYED AT THE OREGON PUBLIC UTILITY COMMISSION STARTING IN FEBRUARY 2004 AS A SENIOR REVENUE REQUIREMENT ANALYST. CURRENT RESPONSIBILITIES INCLUDE STAFF RESEARCH AND TECHNICAL SUPPORT ON A WIDE RANGE OF ELECTRICAL AND NATURAL GAS COST RECOVERY ISSUES AS WELL AS RESEARCH AND EVALUATION OF THE PROPOSED PACIFICORP ACQUISITION.

OTHER EXPERIENCE:
OVER TWENTY YEARS OF ENGINEERING, OPERATIONS AND MAINTENANCE EXPERIENCE IN INDUSTRIAL THERMAL GENERATION PLANT ENVIRONMENT. EXPERIENCE IN PRODUCTION MANAGEMENT AMD CONTROL IN HIGH TECH MANUFACTURING.

CASE: UM 1209
WITNESS: Ed Durrenberger

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 502

Exhibit in Support of Testimony

REDACTED VERSION

November 21, 2005

**November 3, 2005

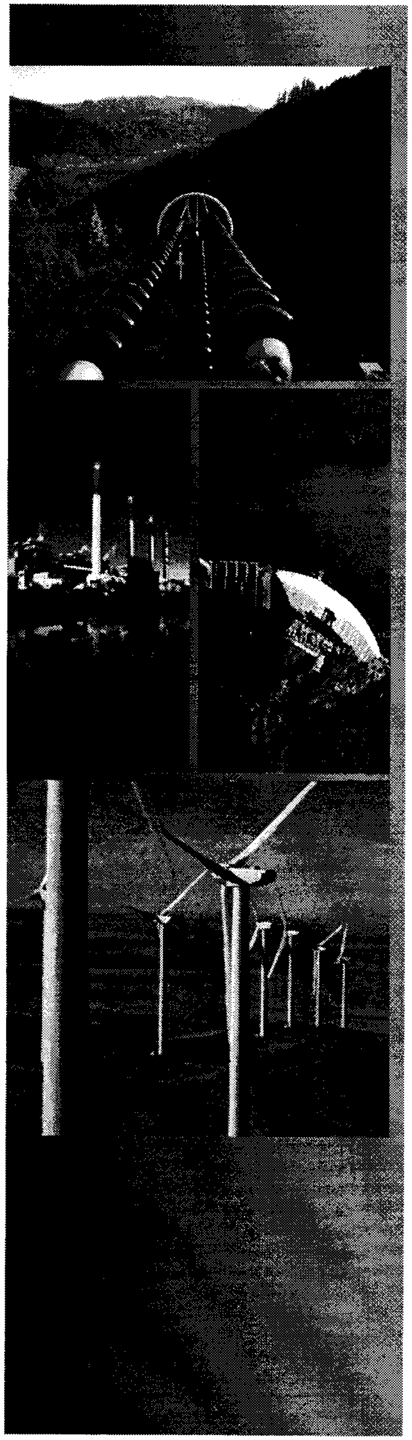
DATA REQUEST RESPONSE CENTER
PACIFICORP
825 NE MULTNOMAH SUITE 800
PORTLAND OR 97232

KATHERINE A MCDOWELL
STOEL RIVES LLP
900 SW FIFTH AVE STE 1600
PORTLAND OR 97204-1268

RE:	Docket No.	Staff Request No.	Response Due By
	UM 1209	DR 132-134	November 17, 2005

Please provide responses to the following request for information. Contact the undersigned before the response due date noted above if the request is unclear or if you need more time.

132. In Exhibit PPL/ 309 page 7, Consolidated List of Commitments, Commitment 36) (b) regarding investment in local transmission risk projects across all states;
    - Does the company anticipate getting pre-approval or seeking some other regulatory approval of these projects (and in a broader sense any of the other proposed commitments that require significant capital outlays and prudence hasn't been established) that may be different than the current Oregon regulatory process?
    - Please detail the transmission risk projects proposed for Oregon.
    - Has there been any evaluation as to the cost benefit of any Oregon transmission risk projects?
    - Are any of the Oregon local transmission risk projects planned currently in the queue to be completed but perhaps with different timing under the present ownership?
133. In Exhibit PPL/309 page 9, Consolidated List of Commitments, Commitment 44) regarding emission reduction from Coal-Fueled Generation;
    - Can you show any analysis that demonstrates expected cost savings or other economic benefits from accelerating the installation schedule on environmental equipment ahead of regulatory compliance requirements?
    - Is there a risk that the emission control equipment proposed to be installed may not meet the future requirements once they have been promulgated or that they may not be the best available control technology when actually required?



PACIFICORP
PACIFIC POWER UTAH POWER

Integrated Gasification Combined Cycle (IGCC) Update

Bill Edmonds

Jim Lacey

November 1, 2005

Staff/502
Durrenberger/2

Overview

PacifiCorp considered IGCC as a resource option in numerous candidate resource portfolios developed for the 2004 I RP.

- IGCC not selected based on cost projections

PacifiCorp recognizes the potential of IGCC and continues to explore the technology:

- Discussions with suppliers.
- Completion of a preliminary engineering study of estimated IGCC costs.
- Additional conceptual study of IGCC using Powder River Basin coal
- Updated costs and analysis in IRP Update

Overview

- Higher cost of IGCC poses a substantial challenge to IGCC development
  - Current regulatory planning framework mandates a least cost/risk approach
  - IRP process already uses an $8/ton carbon "adder" to evaluate carbon risk of new resources.
  - Conventional coal currently seen as least cost/risk.

- Difficult to determine if IGCC is the clear choice compared to conventional coal:
  - Lack of valid and accurate cost estimates for Co$_t$ sequestration
  - No certainty regarding the probability, timing, and stringency of potential carbon regulation.

Performance Comparison

Utah site using bituminous coal at 5,600 feet elevation

		SCPC	IGCC (E-Gas)	IGCC Difference
Capital Cost (TCR)	$/kW	$1,746	$1,957	+ 12.1%
Emissions:				
SO_2 (% Rem)	lb/MMBtu	0.059 (95%)	0.016 (99%)	- 73%
NO_x	lb/MMBtu	0.072	0.011	-85%
PM	lb/MMBtu	0.012	0.01	-33%
Hg	lb/TBtu	0.600	0.470	-22%
Efficiency	% HHV	38.2%	40.6%	+6%
Fuel Flexibility	Feed-stocks	Low sulfur (compliance) coals favored	All coals plus liquid & solid opportunity fuels	

IRP Comparison (CY 2005 $) - Preliminary

	Size	Capital Cost	Average Heat Rate	Avail-ability	VOM	FOM	Emissions			Cost
2004 IRP	MW	$/kW	Btu/kWh	%	$/MWh	$/kW-yr	SO_2	NOx	Hg	$/MWh
Utah IGCC (1x1 H)	368	$2,171	8,311	75%	$1.83	$30.52	0.030	0.050	0.600	$44.27
IRP Update (2x1 7FB)										
Utah IGCC (no carbon provisions)	519	$1,957	8,657	89%	$0.27	$62.01	0.016	0.011	0.470	$43.90
Utah IGCC (moderate carbon provisions)	519	$2,153	8,657	89%	$0.27	$62.01	0.016	0.011	0.470	$45.87
Utah Supercritical PC	575	$1,735	9,129	91%	$0.78	$33.77	0.059	0.072	0.600	$39.35
							lb/mmBtu	lb/mmBtu	lb/TBtu	

IGCC Design HR	8,405
IGCC Design Eff.	40.6%
SCPC Design HR	8,924
SCPC Design Eff.	38.2%

Coal Plant Capital Costs (no Carbon Capture Provisions)

	PC (IRP)	SCPC (IRP)	IGCC (CP)	IGCC (GE)	CCCT (IRP)
Plant Capacity (MW)	575	575	519	528	535
EPC Direct Cost (Parsons)	$697	$721	$692	$817	$259
Owner's Costs and Contingency	$181	$187	$229	$257	$44
AFUDC	$92	$95	$94	$110	$30
Total $	**$970**	**$1,004**	**$1,016**	**$1,184**	**$333**
Total ($/kW)	**$1,687**	**$1,746**	**$1,957**	**$2,244**	**$623**

Notes: All costs in 2005 $ and rounded to nearest Million
PC - Subcritical conventional pulverized coal
SCPC - Supercritical conventional pulverized coal
SCPC calculated based on a 3.5% premium compared to PC
All Coal Plants are assumed to be at Hunter using Utah/Colorado coal
PC/SCPC/CCCT costs based on IRP data
IGCC costs based on Parsons Study and Adjust for IRP data
Contingency % higher on newer technology options.

Note: Performance values are changing as vendors adjust equipment expectations

Cost of Electricity Comparison in 2012 (w/o carbon capture provisions)

	PC (IRP)	SCPC (IRP)	IGCC (CP)	IGCC (GE)	CCCT (IRP)
Plant Capacity (MW)	575	575	519	528	535
Capital Cost in $/kW)	$1,687	$1,746	$1,957	$2,244	$623
Levelized Capital ($/MWh)	$19.77	$20.38	$23.21	$26.31	$12.07
Design Heat Rate (Btu/kWh)	9,270	8,924	8,405	8,850	6,947
Fuel Cost ($/mmBtu)	$1.55	$1.54	$1.54	$1.54	$5.57
Environmental (CO_2 at $8/ton)	$9.79	$9.50	$7.98	$8.40	$3.67
Fuel ($/MWh)	$14.96	$14.52	$13.14	$13.83	$39.46
Fixed O&M ($/kW-yr)	$32.23	$33.77	$62.01	$63.10	$8.85
Fixed O&M ($/MWh)	$4.85	$5.08	$9.55	$9.71	$1.13
Variable O&M ($/MWh)	$0.91	$0.90	$0.31	$0.31	$3.37
ITC ($/MWh est.)	$0.00	$0.00	$0.00	$0.00	$0.00
			+ 8%		
COE (Lev. Cap/1st Yr O&M)	$50.27	$50.38 →	$54.20	$58.57	$59.69

Notes: All Coal Plants are assumed to be at Hunter using Utah/Colorado coal
PC/SCPC/CCCT costs based on IRP data (2005 $)
IGCC costs based on Parsons Study and Adjust for IRP data
Cost of CO2 emissions in $/ton $8.00
All COE values calculated at 90% CF for Coal / 65% CF for CCCT
Gas Cost in $/mmBtu $5.57

Conclusions

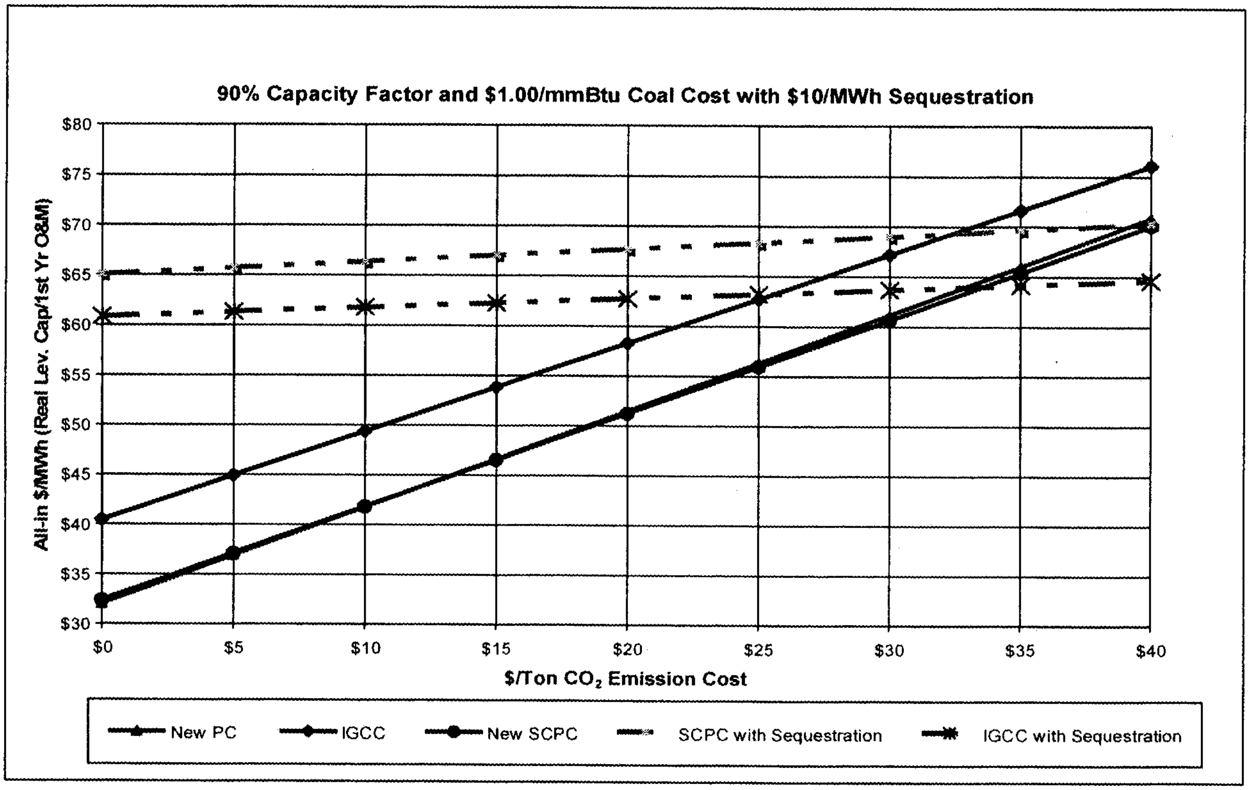
- SCPC and IGCC are very similar technologies in terms of efficiency and emission reduction
- It costs less to capture carbon from an IGCC plant - but that cost is not insignificant
- IGCC is currently more costly for both capital and O&M
- Next generation of IGCC plants are just about to be committed to (performance will not be known before 2013).

IGCC Challenges

- Uncertain IGCC performance on Western coals at elevation
- Terms of consortia "wraps" are unknown - significant potential technology performance risk
- No rate recovery certainty for cost of necessary studies (\$10-\$15M) to develop detailed design and costs - conventional coal plant design and cost available for -\$500k to \$1 M
- Technology is not least cost/risk even with \$8/ton carbon adder
- Utility ratemaking regulatory framework penalizes risk taking - mitigation of utility risk of new technology may be necessary
- IGCC becomes least cost with a carbon cost upwards of \$35/ton - higher than projected under most likely regulatory scenarios
- Issues needing clarity
  - Potential carbon regulation including timing, stringency, costs
  - Construction and operational costs
  - Benefits, cost-effectiveness or viability of carbon sequestration as a compliance mechanism

Figure 6.1 illustrates that IGCC has relatively high costs compared with the new pulverized coal (PC) units and the new supercritical pulverized coal units (SCPC) but there are still benefits to this resource type, e.g., incrementally lower emissions and an easier transition to carbon capture and sequestration. Further, the graph illustrates that at a CO_2 allowance cost of approximately $33 per ton, IGCC with carbon capture and sequestration would "break-even" with the cost of pulverized coal without carbon capture and sequestration.

Figure 6.1 IGCC Cost Comparison



Coal Portfolio Assessment

Pulverized Coal

In the eastern control area subcritical and supercritical pulverized coal units and IGCC units were considered for this IRP. Generally supercritical pulverized units have better heat rates than subcritical units but are more costly in terms of capital and O&M. Primarily the sites of the plants considered were in central Utah near the existing Hunter plant and near the existing Bridger plant in Wyoming.

A subcritical unit having a capacity of 575 MW at the existing Hunter plant (Hunter 4) in central Utah was evaluated during the modeling process with various installation dates. This Hunter unit would use the latest available emission control technology for SO_2, NO_X, and particulates. The Hunter site is presently viewed as an excellent company owned location for an additional supercritical boiler results in a more expensive boiler the higher cost of which can be offset by the higher efficiency of the cycle depending on the fuel cost.

Integrated Gasification Combined Cycle (IGCC)

Integrated Gasification Combined Cycle (IGCC) is a clean coal technology that utilizes a coal gasification process to produce clean fuel that can then be used to fuel a combined cycle gas turbine. This technology can achieve slightly lower pollutant emission levels and higher efficiencies than a conventional pulverized coal-fired plant. IGCC is only now beginning to reach full commercialization. There are a half a dozen or so commercial plants in the world to date and most of these are fueled by petroleum residuals. Capacity factors for these plants typically have been less than 80%. Work is being done to improve their operation on both coal and petroleum residuals and progress in this area is expected. Capital and operating costs are higher than those of traditional coal-fired plants, but these could come down as larger economies of scale are reached. IGCC production costs in the Utah and Wyoming areas will be further disadvantaged compared to most areas of the United States because of elevation de-rating of the turbines. The next generation of IGCC plants will likely be designed around bituminous fuels, therefore Powder River Basin (PRB) coals may not currently be the best fuel candidates for IGCC plants in the next few years. In the 2004 IRP it was assumed that an "H" combined cycle IGCC unit without a spare gasifier would be the most likely IGCC resource with an expected installation date of FY 2015. This resource is further defined in Appendix C.

Based on recent discussions with technology suppliers, assumptions concerning the short-term characteristics of IGCC resources are changing. These changing assumptions were developed only recently after the modeling evaluation process of this IRP and should be considered as very preliminary. The new assumptions from the technology suppliers concerning the IGCC resource use a "7FB" based gas turbine combined cycle in a 3x2x1 configuration (3 gasifiers, 2 gas turbines, 1 steam turbine) and have an expected availability of 90%. The expected availability of the "H" unit without a spare gasifier was 75%. Off-setting this improvement in availability with the "7FB" machine is a higher heat rate and capital costs that are not as favorable. Based on recent information, emissions from this configuration appear to be better than for the "H" machine assumptions. It is assumed that up to 90% of the CO_2 emissions can be captured with a water gas shift reaction and amine scrubbing. After capturing the carbon, the carbon would have to be sequestered and the most recent information suggests that the cost of carbon sequestration would be around $10 per MWh. Based on EPRI and GE data it would be less costly to add carbon capture on IGCC units than on pulverized coal units. Figure 6.1 compares the "all-in" cost of the IGCC and the pulverized coal unit with and without carbon collection and carbon dioxide sequestration at differing levels of CO_2 emission costs.

The environmental impacts to be considered from an IGCC plant are similar to those of a pulverized coal plant although IGCC would produce fewer SO_2, NO_X, and Hg emissions. With the addition of carbon capture and sequestration, 90% of CO_2 emissions would be eliminated. Beside air emissions, environmental impacts on surface and ground water, land use, visual aesthetics, waste disposal, and fuel mining, transport, and storage all have to be considered in the permitting and evaluation process.

years of the plan. UCCS also seeks more detail in the action plan, and recommends itemizing the actions that will be taken to implement the chosen portfolio.

Response: The Action Plan summary table (Table 9.2) combines both the findings of need and the implementation actions from the 2003 IRP into one table. In response to the comments, PacifiCorp has modified the Action Plan Implementation section of Chapter 9 to include timelines associated with procuring specific action items. This section has also been modified to include actions PacifiCorp is planning to meet the targets outlined in the summary table.

11. *The IRP will include a plan of different resource acquisition paths for different economic circumstances with a decision mechanism to select among and modify these paths as the future unfolds.*

UCCS, UPSC, UDPU and UAE all refer to this guideline in comments, calls for discussion, and suggests it be an element in the Action Plan.

Response: PacifiCorp included an Action Plan Path Analysis in Chapter 9 of the 2004 IRP. As was indicated in Chapter 9, the majority of the items in the Action Plan will be acted upon prior to the next IRP planning cycle. Therefore, since the time frame for these decisions is short, numerous or significant changes affecting the outcomes are not anticipated. Unless the rules set by the regulatory bodies influencing resource choice decisions change, PacifiCorp would anticipate that the 'decision mechanism' would adhere to the least cost / lowest risk dictum given the conditions prevalent at the 'specific point in time' that such decisions would be made.

During the public input process, CCS recommended that PacifiCorp use the Capacity Expansion Tool in the Action Plan Path Analysis. PacifiCorp has included this recommendation as an Action Item in the Action Plan. PacifiCorp will continue to work in a collaborative effort with public input meeting participants to improve this area in future IRPs.

12. *The IRP will take into account externalities associated with alternative resources.*

MWC and UAE note that environmental externalities were not expressly considered, except for projected costs for certain specified emission requirements. WCAC comments that the negative impacts of generation emissions on pulmonary health are inadequately weighed in the IRP.

Response: PacifiCorp believes it has taken a reasonable approach to the consideration of environmental externalities, in compliance with IRP standards and guidelines. Our method of quantifying expected future costs of air emissions was extensively reviewed with stakeholders during Public Input Meetings, and with PacifiCorp's Environmental Forum, consisting of external parties representing a range of stakeholder interests.

Specifically, PacifiCorp has included additional costs for environmental externalities through modeling emissions cap and trade programs. Within the IRP model, those resources with fewer emissions receive lower emissions costs than other more heavily polluting resources. These emissions values are also reflected in the total resource cost of each potential new resource in the

Staff/5 02
Durrenberger/14

Is confidential

You must have signed the protective order in order to view this page.

CASE: UM 1209
WITNESS: Clark Jackson

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 600

Direct Testimony

November 21, 2005

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Clark Jackson. I am employed as the Program Manager for the Consumer Services Section at the Public Utility Commission of Oregon (OPUC or Commission). My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. My Witness Qualifications Statement is found on Exhibit Staff/601, Jackson/5.

Q. WHAT IS YOUR ROLE IN THIS DOCKET?

A. I am the Staff member assigned to comment on MidAmerican Energy Holdings Company (MEHC) and PacifiCorp offer to extend the customer service guarantees (i.e. Commitment 46).

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I present Staff's recommendations on MEHC and PacifiCorp proposal to extend the customer service guarantees.

Q. HAVE YOU PREPARED ANY EXHIBITS?

A. Yes. I prepared Staff/601, consisting of one page.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized on the structure identified by the Administrative Law Judge in her Ruling dated November 1, 2005.

Customer Service Guarantees

Q. WHAT ARE THE CUSTOMER SERVICE GUARANTEES?

A. When Scottish Power purchased PacifiCorp in 1999 it agreed to six customer service guarantees. The guarantees covered: Restoring the customer's power, keeping mutually agreed appointments, switching on the customer's power, providing estimates for a new power supply, providing notice of planned interruptions, and timely investigations of customer complaints regarding the quality of electric power supply. When the Company experiences a failure to meet the commitment of a customer guarantee then PacifiCorp either issues the customer a check or a credit to their account. The amounts issued vary based upon the commitment made by the Company and the length of time to fulfill the commitment. The maximum payment is $200.

Q. WHAT WAS THE LENGTH OF THE COMMITMENT?

A. The original commitment was through March 31, 2005. On August 5, 2004, PacifiCorp notified the OPUC it was going to modify the customer service guarantees and extend them for two years through March 31, 2007. In January 2005, PacifiCorp announced it was extending the customer service guarantees on April 1, 2005, through March 31, 2008. PacifiCorp also stated it would review the program at that time for possible revision and for future continuance.[1]

[1] Reference PacifiCorp Advice No. 04-019.

Q. DOES COMMITMENT 46 PROVIDE A BENEFIT FOR OREGON CUSTOMERS THAT WOULD NOT BE THERE ABSENT THE ACQUISITION?

A. No. There is a strong likelihood PacifiCorp would voluntarily extend the customer service guarantees absent the transaction because the customer service guarantees also benefit the Company. In Commitment 46, MEHC and PacifiCorp propose to extend the customer service guarantees through 2011. PacifiCorp has already committed to continue the program through March 31, 2008, and perhaps beyond by stating it would review the program at that time for possible revision and for future continuance.

Given the history of the customer service guarantees and PacifiCorp's actions, the customer service guarantees appear to be an internal tool for the company to help ensure it avoids "at-fault complaints."[2] In the absence of the customer service guarantees, the Commission would likely receive more complaints from PacifiCorp's customers. That would increase the odds of at-fault complaints. Increased at-fault complaints could result in penalties imposed upon the Company for its poor service under the existing Service Quality Measures (SQM). The Company seems to have endorsed the customer service guarantee

[2] An "at-fault" violation is issued by Staff when a company fails to follow Oregon statutes, OPUC rules, company filed tariffs, internal company policies or procedures, or standard business practices or policies as deemed by the Commission.

program because it provides the company a benefit: by paying customers a nominal amount of money for inadequate service through the customer service guarantee program, the company reduces the odds of having to pay for a more costly at-fault violation. To demonstrate this risk-benefit analysis, PacficCorp paid out $17,200, in fiscal year (FY) 2004, to Oregon customers for 270 failures to meet their customer service guarantees. In PacficCorp's fiscal year 2005, it paid out $13,050 to Oregon customers for 204 failures to meet their customer service guarantees. In comparison, in the absence of the customer service guarantees, those customers who had previously benefited under the existing PacifiCorp program would likely have filed complaints with OPUC. In FY 2004 and FY 2005 the company would have reached the first penalty phase under the SQM, if between 20-26% of those complaints were found to be at-fault violations. The first penalty phase includes a cost of up to $100,000, and the second penalty phase includes a cost of up to $1,000,000. This analysis supports the concept that PacifiCorp voluntarily extended its customer service guarantees in order to avoid penalties; and, suggests PacifiCorp would probably continue to offer the program in order to avoid the prospect of the more stringent SQM penalties.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UM 1209
WITNESS: Clark Jackson

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 601

Witness Qualifications Statement

November 21, 2005

WITNESS QUALIFICATION STATEMENT

NAME:	Clark Jackson
EMPLOYER:	Public Utility Commission of Oregon
TITLE:	Program Manager, Consumer Services
ADDRESS:	550 Capitol Street NE, Salem, Oregon 97301-2115
EDUCATION:	B. S. Oregon State University, Corvallis, Oregon Major: Business Administration, Minor: Mining and Petroleum Geology; 1967
EXPERIENCE:	Starting in April 2001, I have been employed by the Public Utility Commission of Oregon. I am Program Manager of the Consumer Services Section. Current responsibilities include managing a team of Compliance Specialists, Repair Analysts and support staff that provide information to utility customers and conduct investigations based on consumer complaints against the utilities. The section additionally provides the guidance on compliance to utilities on a wide range of statutes, rules and interpretations of the company's tariffs. Many of our investigations include evaluating customer service. Member of UM 1121 Staff Review Committee, Sale of PGE to Oregon Electric Utility Company, LLC, 2004-2005. Member of UM 1045 Staff Review Committee, Sale of PGE to Northwest Natural Gas Company, 2001-2002
OTHER EXPERIENCE:	From September 1977 to February 1995, I worked for Northwest Natural Gas Company in a variety of positions including Manager of the North Coast District, Director of District Marketing and administrative Support, and Director of State and Local Government Relations. Duties included managing an operational division and managing customer service.
OTHER EXPERIENCE:	From September 1972 to September 1977, I worked for Texaco Inc (now Chevron-Texaco) in a variety of positions including Customer Service Representative for the five Western States in the Western Region, and Marketing Representative. Duties included evaluating customer service.

CERTIFICATE OF SERVICE

UM 1209

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to all parties or attorneys of parties.

Dated at Salem, Oregon, this 21st day of November, 2005.

Jason Jones
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

UM 1209
Service List (Parties)

NW ENERGY COALITION
219 FIRST ST STE 100
SEATTLE WA 98104
steve@nwenergy.org

RATES & REGULATORY AFFAIRS
PORTLAND GENERAL ELECTRIC
RATES & REGULATORY AFFAIRS
121 SW SALMON STREET, 1WTC0702
PORTLAND OR 97204
pge.opuc.filings@pgn.com

UTILITY WORKERS UNION OF AMERICA
PO BOX 37
SAN CLEMENTE CA 92674-0037
uwua@redhabanero.com

JIM ABRAHAMSON **-- CONFIDENTIAL**
COMMUNITY ACTION DIRECTORS OF OREGON
4035 12TH ST CUTOFF SE STE 110
SALEM OR 97302
jim@cado-oregon.org

DOUGLAS L ANDERSON
MIDAMERICAN ENERGY HOLDINGS CO
302 S 36 ST STE 400
OMAHA NE 68131
danderson@midamerican.com

SUSAN ANDERSON
CITY OF PORTLAND OFFICE OF SUSTAINABLE DEV
721 NW 9TH AVE -- SUITE 350
PORTLAND OR 97209-3447
susananderson@ci.portland.or.us

ADAM S ARMS **-- CONFIDENTIAL**
MCKANNA BISHOP JOFFE & SULLIVAN LLP
1635 NW JOHNSON ST
PORTLAND OR 97209
aarms@mbjlaw.com

EDWARD BARTELL
KLAMATH OFF-PROJECT WATER USERS INC
30474 SPRAGUE RIVER ROAD
SPRAGUE RIVER OR 97639

CURTIS G BERKEY
ALEXANDER, BERKEY, WILLIAMS & WEATHERS, LLP
2000 CENTER STREET, SUITE 308
BERKELEY CA 94704
cberkey@abwwlaw.com

CHARLTON H BONHAM
TROUT UNLIMITED
828 SAN PABLO AVE
SUITE 208
ALBANY CA 94706
cbonham@tu.org

MAGGIE BRILZ
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
mbrilz@idahopower.com

LOWREY R BROWN **-- CONFIDENTIAL**
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY, SUITE 308
PORTLAND OR 97205
lowrey@oregoncub.org

JOANNE M BUTLER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
jbutler@idahopower.com

D KEVIN CARLSON **-- CONFIDENTIAL**
DEPT OF JUSTICE - GENERAL COUNSEL DIVISION
1162 COURT ST NE
SALEM OR 97301-4096
d.carlson@doj.state.or.us

PHIL CARVER **-- CONFIDENTIAL**
OREGON DEPARTMENT OF ENERGY
625 MARION ST NE STE 1
SALEM OR 97301-3742
philip.h.carver@state.or.us

RALPH CAVANAGH **-- CONFIDENTIAL**
NATURAL RESOURCES DEFENSE COUNCIL
111 SUTTER ST FL 20
SAN FRANCISCO CA 94104
rcavanagh@nrdc.org

BRYAN CONWAY
PO BOX 2148
SALEM OR 97309-2148
bryan.conway@state.or.us

JOHN CORBETT
YUROK TRIBE
PO BOX 1027
KLAMATH CA 95548
jcorbett@yuroktribe.nsn.us

JOAN COTE **-- CONFIDENTIAL**
OREGON ENERGY COORDINATORS ASSOCIATION
2585 STATE ST NE
SALEM OR 97301
cotej@mwvcaa.org

CHRIS CREAN **-- CONFIDENTIAL**
MULTNOMAH COUNTY
501 SE HAWTHORNE, SUITE 500
PORTLAND OR 97214
christopher.d.crean@co.multnomah.or.us

MELINDA J DAVISON **-- CONFIDENTIAL**
DAVISON VAN CLEVE PC
333 SW TAYLOR, STE. 400
PORTLAND OR 97204
mail@dvclaw.com

MICHAEL EARLY
INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES
333 SW TAYLOR STE 400
PORTLAND OR 97204
mearly@icnu.org

JASON EISDORFER **-- CONFIDENTIAL**
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205
jason@oregoncub.org

ANN L FISHER
AF LEGAL & CONSULTING SERVICES
2005 SW 71ST AVE
PORTLAND OR 97225-3705
energlaw@aol.com

ANDREA FOGUE
LEAGUE OF OREGON CITIES
PO BOX 928
1201 COURT ST NE STE 200
SALEM OR 97308
afogue@orcities.org

JOHN R GALE
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
rgale@idahopower.com

BERNARDO R GARCIA
UTILITY WORKERS UNION OF AMERICA
215 AVENDIA DEL MAR, SUITE M
SAN CLEMENTE CA 92672
uwua@redhabanero.com

ANN ENGLISH GRAVATT **-- CONFIDENTIAL**
RENEWABLE NORTHWEST PROJECT
917 SW OAK - STE 303
PORTLAND OR 97205
ann@rnp.org

DAVID E HAMILTON
NORRIS & STEVENS
621 SW MORRISON ST STE 800
PORTLAND OR 97205-3825
davidh@norrstev.com

NANCY HARPER
IBEW, LOCAL 125
17200 NE SACRAMENTO
GRESHAM OR 97230
nancy@ibew125.com

BRIAN JOHNSON **-- CONFIDENTIAL**
TROUT UNLIMITED
825 SAN PABLO AVE
SUITE 208
ALBANY CA 94706
bjohnson@tu.org

JASON W JONES **-- CONFIDENTIAL**
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096
jason.w.jones@state.or.us

ANDREA L KELLY
PACIFICORP
825 NE MULTNOMAH ST STE 800
PORTLAND OR 97232
andrea.kelly@pacificorp.com

BARTON L KLINE **-- CONFIDENTIAL**
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
bkline@idahopower.com

KAITLIN LOVELL **-- CONFIDENTIAL**
TROUT UNLIMITED
213 SW ASH ST, SUITE 205
PORTLAND OR 97204
klovell@tu.org

KATHERINE A MCDOWELL
STOEL RIVES LLP
900 SW FIFTH AVE STE 1600
PORTLAND OR 97204-1268
kamcdowell@stoel.com

DANIEL W MEEK
DANIEL W MEEK ATTORNEY AT LAW
10949 SW 4TH AVE
PORTLAND OR 97219
dan@meek.net

WILLIAM MILLER **-- CONFIDENTIAL**
IBEW, LOCAL 125
17200 NE SACRAMENTO
GRESHAM OR 97230
bill@ibew125.com

MARK C MOENCH
MIDAMERICAN ENERGY HOLDINGS COMPANY
201 SOUTH MAIN ST, STE 2300
SALT LAKE CITY UT 84111
mcmoench@midamerican.com

CHRISTY MONSON
LEAGUE OF OREGON CITIES
1201 COURT ST. NE STE. 200
SALEM OR 97301
cmonson@orcities.org

BARBARA LEE NORMAN
KARUK TRIBE OF CALIFORNIA
PO BOX 657
YREKA OR 96097
bnorman@karuk.us

MICHAEL W ORCUTT
HOOPA VALLEY TRIBE FISHERIES DEPT
PO BOX 417
HOOPA CA 95546
director@pcweb.net

MATTHEW W PERKINS **-- CONFIDENTIAL**
DAVISON VAN CLEVE PC
333 SW TAYLOR, STE 400
PORTLAND OR 97204
mwp@dvclaw.com

JANET L PREWITT **-- CONFIDENTIAL**
DEPARTMENT OF JUSTICE
1162 COURT ST NE
SALEM OR 97301-4096
janet.prewitt@doj.state.or.us

LISA F RACKNER **-- CONFIDENTIAL**
ATER WYNNE LLP
222 SW COLUMBIA ST STE 1800
PORTLAND OR 97201-6618
lfr@aterwynne.com

PETER J RICHARDSON
RICHARDSON & O'LEARY
PO BOX 7218
BOISE ID 83707
peter@richardsonandoleary.com

STEVE ROTHERT **-- CONFIDENTIAL**
AMERICAN RIVERS
409 SPRING ST, SUITE D
NEVADA CITY CA 95959
srothert@americanrivers.org

GREGORY W SAID
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707
gsaid@idahopower.com

THOMAS P SCHLOSSER **-- CONFIDENTIAL**
MORISSET, SCHLOSSER, JOZWIAK & MCGAW
801 SECOND AVE, SUITE 1115
SEATTLE WA 98104-1509
t.schlosser@msaj.com

ROB ROY SMITH **-- CONFIDENTIAL**
MORISSET, SCHLOSSER, JOZWIAK & MCGAW
1115 NORTON BUILDING
801 SECOND AVENUE
SEATTLE WA 98104-1509
r.smith@msaj.com

THANE SOMERVILLE **-- CONFIDENTIAL**
MORISSET, SCHLOSSER, JOZWAIK & MCGAW
801 SECOND AVE, SUITE 1115
SEATTLE WA 98104-1509
t.somerville@msaj.com

GLEN H SPAIN **-- CONFIDENTIAL**
PACIFIC COAST FEDERATION OF
FISHERMEN'S ASSOC
PO BOX 11170
EUGENE OR 97440-3370
fish1ifr@aol.com

JOHN W STEPHENS **-- CONFIDENTIAL**
ESLER STEPHENS & BUCKLEY
888 SW FIFTH AVE STE 700
PORTLAND OR 97204-2021
stephens@eslerstephens.com

MARK THOMPSON
PUBLIC POWER COUNCIL
1500 NE IRVING STREET, SUITE 200
PORTLAND OR 97232
mthompson@ppcpdx.org

DOUGLAS C TINGEY
PORTLAND GENERAL ELECTRIC
121 SW SALMON 1WTC13
PORTLAND OR 97204
doug.tingey@pgn.com

SANDI R TRIPP
KARUK TRIBE DEPT. OF NATURAL RESOURCES
PO BOX 1016
HAPPY CAMP CA 95546
stripp@karuk.us

SARAH WALLACE **-- CONFIDENTIAL**
ATER WYNNE LLP
222 SW COLUMBIA STE 1800
PORTLAND OR 97201-6618
sek@aterwynne.com

BENJAMIN WALTERS **-- CONFIDENTIAL**
CITY OF PORTAND - OFFICE OF CITY ATTORNEY
1221 SW 4TH AVE - RM 430
PORTLAND OR 97204
bwalters@ci.portland.or.us

MICHAEL T WEIRICH **-- CONFIDENTIAL**
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096
michael.weirich@state.or.us

STEVEN WEISS
NORTHWEST ENERGY COALITION
4422 OREGON TRAIL CT NE
SALEM OR 97305
weiss.steve@comcast.net

LINDA K WILLIAMS
KAFOURY & MCDOUGAL
10266 SW LANCASTER RD
PORTLAND OR 97219-6305
linda@lindawilliams.net

PAUL WOODIN
WESTERN WIND POWER
282 LARGENT LN
GOLDENDALE WA 98620-3519
pwoodin@gorge.net