



June 16, 2006

VIA ELECTRONIC FILING

Oregon Public Utility Commission
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551

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

RE: APPLICATION OF PACIFICORP
Docket No: UI-___

PacifiCorp (dba Pacific Power & Light Company) submits for filing an original and five conformed copies of the Application of PACIFICORP requesting approval to secure insurance coverage from MEHC Insurance Services Ltd.

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

By E-mail (preferred): datarequest@pacificorp.com.

By Fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 300
Portland, OR 97232

Informal inquires may also be directed to Laura Beane, Manager, Regulation at (503)813-5524.

Very truly yours,

Andrea L. Kelly
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of)	
PACIFICORP Requesting Approval to)	
Secure Insurance Coverage from MEHC)	APPLICATION OF PACIFICORP
Insurance Services Ltd.)	

Pursuant to ORS 757.490, ORS 757.495 and OAR 860-027-0040, PacifiCorp requests approval from the Oregon Public Utility Commission (the "Commission") to secure insurance coverage as described herein, from MEHC Insurance Services Ltd. ("MEHC Insurance"). MEHC Insurance and PacifiCorp are both subsidiaries of MidAmerican Energy Holdings Company ("MEHC") and therefore PacifiCorp's doing business with MEHC Insurance would establish an "affiliated interest," as defined in ORS 757.015. In Commission Order No. 06-121 granting approval of the acquisition of PacifiCorp by MEHC, the Commission adopted Commitment No. 10 which provides as follows:

- (a) MEHC commits to use an existing, or form a new, captive insurance company to provide insurance coverage for PacifiCorp's operations. The costs of forming such captive will not be reflected in PacifiCorp's regulated accounts, nor allocated directly or indirectly to PacifiCorp. Such captive shall be comparable in costs and services to that previously provided through ScottishPower's captive insurance company Dornoch. MEHC further commits that insurance costs incurred by PacifiCorp from the captive insurance company for equivalent coverage for calendar years 2006 through 2010, inclusive, will be no more than \$7.4 million (total company). Oregon Commission Staff has valued the potential increase in PacifiCorp's total company revenue requirement from the loss of ScottishPower's captive insurance affiliate as \$4.3 million annually, which shall be the amount of the total company rate credit. This commitment expires on December 31, 2010.

- (b) This commitment is offsetable if PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, the costs included in PacifiCorp's rates for such insurance coverage is not more

than \$7.4 million (total company). (This commitment is reflected in Row 3 in Appendix 2.)¹

Pursuant to the terms of the Stipulation adopted in Order No. 06-121, the settling parties committed not to oppose in any proceeding the concept of the captive insurance affiliate for the purposes proposed in the Stipulation. *See* Order No. 06-121, Appendix A, paragraph 17.

I. Background

MEHC Insurance was licensed in the state of Vermont to operate as a captive insurance company, effective as of March 14, 2006. Attached as Exhibit A is the Certificate of Authority for MEHC Insurance Services Ltd. issued by the state of Vermont, Department of Banking, Insurance, Securities and Health Care Administration. MEHC's acquisition of PacifiCorp closed on March 21, 2006 and the binders of insurance reflect an effective date as of the same date (March 21, 2006) with a one-year policy period through March 20, 2007 (the "Policy Period"). MEHC Insurance is a wholly-owned subsidiary of MEHC and will provide property damage and liability insurance coverage for PacifiCorp. As with the case of the previous coverage provided by Dornoch, MEHC Insurance's primary focus will be to provide insurance coverage of all or significant portions of the deductibles in many of PacifiCorp's existing insurance policies, and to provide coverage for activities that commercial insurance industry carriers will no longer provide, *e.g.*, overhead distribution and transmission line property damage insurance ("T&D Insurance"). MEHC Insurance will provide the following insurance coverage for PacifiCorp through the Policy Period:

Property Insurance: \$6 million excess of \$1.5 million retention

General Liability: \$750,000 excess of \$250,000 retention

¹ On December 10, 2004, the Commission approved PacifiCorp's application to secure insurance coverage from Dornoch Risk International Limited in Docket No. UI 233. Order No 04-737 (2004).

T & D Insurance: \$10 million annual limit, excess \$5 million annual aggregate retention

PacifiCorp and MEHC have investigated the possible use of a captive insurance company and have concluded that the establishment and use of a captive will provide significant benefits to PacifiCorp, PacifiCorp's customers and the other MEHC companies that will participate in business transactions with the captive.

With this Application, PacifiCorp requests Commission authorization to engage in business transactions with MEHC Insurance as described herein.

II. Compliance with OAR 860-027-0040 Filing Requirements

A. Address

The applicant's exact name and address are:

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

B. Communications and Notices

All notices and communications with respect to this Application should be addressed to:

Laura Beane
Manager, Regulation
PacifiCorp
825 NE Multnomah Street, Suite 300
Portland, OR 97232
Tel. (503) 813-5542
Fax (503) 813-6060
laura.beane@pacificorp.com

Natalie L. Hocken
Assistant General Counsel
PacifiCorp
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-7205
Fax (503) 813-7252
natalie.hocken@pacificorp.com

In addition, PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (**preferred**)

datarequest@pacificorp.com

By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 300
Portland, OR 97232

By facsimile

(503) 813-6060

Informal inquires may also be directed to Laura Beane, Manager, Regulation at (503) 813-5542.

C. Relationship Between PacifiCorp and MEHC Insurance

PacifiCorp and MEHC Insurance are both subsidiaries of MEHC. Accordingly, MEHC Insurance is an “affiliated interest” of PacifiCorp as defined in ORS 757.015.

D. Voting Securities

PacifiCorp and MEHC Insurance do not own voting stock in each other.

E. Common Officers and Directors

Mr. Patrick J. Goodman is the President and Treasurer of MEHC Insurance and is a director of PacifiCorp and MEHC Insurance.

F. Pecuniary Interest

No officer or director of either MEHC Insurance or PacifiCorp is a party to or has a pecuniary interest in the contemplated business transactions between MEHC Insurance and PacifiCorp.

G. Description of Goods and Services Provided

MEHC Insurance’s primary focus will be to provide property damage and liability insurance coverage of all or significant portions of the deductibles in many of PacifiCorp’s current insurance policies, and to provide coverage for activities that the commercial insurance industry carriers will no longer provide, e.g., overhead distribution and transmission line property damage insurance. Copies of the insurance binders are attached as Exhibits B and C.

H. Estimate of Amount PacifiCorp will Pay Annually for Services

In Order No. 06-121, Commitment No. 10, MEHC and PacifiCorp committed that insurance costs incurred by PacifiCorp from the captive insurance company for coverage equivalent to Dornoch provided coverage for calendar years 2006 through 2010, inclusive, will be no more than \$7.4 million (total company). This commitment is offsetable if PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, the costs included in PacifiCorp's rates for such insurance coverage is not more than \$7.4 million (total company). This commitment expires on December 31, 2010. In reaching the Stipulation and Commitment No. 10 Oregon Commission Staff valued the potential increase in PacifiCorp's total company revenue requirement from the loss of ScottishPower's captive insurance affiliate as \$4.3 million annually, which was stipulated to be the amount of the total company rate credit. *See* Order No. 06-121. The charges will be recorded in the following accounts: Account 924, Property Insurance, for coverage against losses to utility property and Account 925, Injuries and Damages, for liability coverage.

I. Reasons Relied Upon for Procuring the Proposed Services, and Benefits to Public

Securing insurance coverage through MEHC Insurance will allow PacifiCorp and its customers to realize a number of benefits. PacifiCorp is not being asked to provide any capital for MEHC Insurance operations. MEHC Insurance will set premiums and operate on a non-profit basis thus, there will be no profit component in premium payments to MEHC Insurance and premium costs will closely track loss experience. Moreover, insuring risk through MEHC Insurance will smooth the volatility of self-insured losses from year to year thus reducing the loss volatility experience and minimizing fluctuations in PacifiCorp's revenue requirement. *See* Commitment No. 10.

MEHC Insurance will provide coverage, *e.g.*, for overhead lines property damage, that is no longer available through commercial insurers. With maturation, MEHC Insurance may also be able to provide coverage to a wider number of PacifiCorp activities beyond property damage and liability.

J. Description of the Procurement Process and Why No Competitive Bid Was Utilized

A captive is a limited purpose insurance company established with the specific objective of financing risks emanating from its parent and corporate family. Clearly, the efficiencies and savings that are to be afforded through doing business with a captive insurance company are not available through a non-affiliate. A competitive bid is simply not possible when contemplating formation of, and doing business with, a captive.

K. Relationship of Cost of Provision of Services and Market Value

As described above, MEHC Insurance will conduct operations and set premiums at a level sufficient to cover loss claims, administrative expenses and appropriate reserves, but otherwise MEHC Insurance is not operated to generate profits. In instances where it is possible to replace policies currently secured from commercial insurance carriers, the non-profit manner of operating will result in direct reductions of insurance premium costs for PacifiCorp and its customers. Where MEHC Insurance coverage applies to what is currently self-insured, the volatility in losses from year to year will be smoothed and fluctuations in revenue requirement will be minimized. Finally, MEHC Insurance will provide some coverage, *e.g.*, overhead transmission and distribution line property damage, for which there is no market through commercial insurers.

L. Agreement Between MEHC Insurance and PacifiCorp

Attached as Exhibits B and C are the insurance binders.


M. Copy of Board Resolutions

Authorization to do business with MEHC Insurance does not require approval of the PacifiCorp Board of Directors.

WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that the Commission issue an order authorizing PacifiCorp to do business with the newly-formed captive insurance company, MEHC Insurance Services Ltd., pursuant to the provisions of ORS 757.490, ORS 757.495, OAR 860-027-0040 and Order No. 06-121.

DATED: June 16, 2006

Respectfully submitted,



Natalie L. Hocken
Assistant General Counsel
PacifiCorp
825 N.E. Multnomah St., Suite 1800
Portland OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7252
email: natalie.hocken@pacificorp.com

EXHIBIT A

MEHC INSURANCE SERVICES LTD.

CERTIFICATE OF AUTHORITY FROM VERMONT



State of Vermont
Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101
www.bishca.state.vt.us

MEHC Insurance Services Ltd.

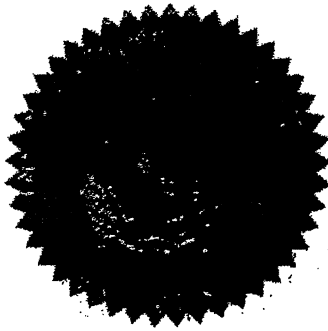
X
X
X Certificate of Authority
X
X NO. 759

WHEREAS, pursuant to the provisions of 8 V.S.A., Chapter 141 MEHC Insurance Services Ltd., did apply to the Commissioner of Banking, Insurance, Securities and Health Care Administration for a license as a captive insurance company in the State of Vermont; and

WHEREAS, the Department of Banking, Insurance, Securities and Health Care Administration has reviewed all of the facts and circumstances surrounding this application and based on that review does hereby find that all of the documents, papers and submissions relating thereto satisfy all the requirements of 8 V.S.A., Chapter 141;

NOW THEREFORE, pursuant to the authority of the Commissioner of Banking, Insurance, Securities and Health Care Administration set forth at 8 V.S.A., Section 6002, this Certificate authorizing MEHC Insurance Services Ltd. to transact the business of a captive insurance company is hereby issued, subject to the licensee's compliance with all applicable laws, rules and regulations of the State of Vermont.

IN WITNESS WHEREOF
I have set my hand
and official seal of the
Department of Banking,
Insurance, Securities and
Health Care Administration
this 14th day of March, 2006.



John P. Crowley
JOHN P. CROWLEY
COMMISSIONER

Consumer Assistance only: Insurance: 1-800-964-1784
Health Care Administration: 1-800-631-7788 Securities: 1-877-550-3907



Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
802-828-3304

Securities
802-828-3420

Health Care Admin.
802-828-2900

EXHIBIT B

**BINDER OF INSURANCE
FOR COMBINED LIABILITY**

MEHC Insurance Services Ltd
76 St. Paul Street
Suite 500
Burlington, VT 05401-4477

Telephone: (802) 862-4400
Facsimile: (802) 860-0440

BINDER OF INSURANCE

This Binder evidences that, in consideration of payment made by the Named Insured of the premium specified, the insurance stated below has been placed with MEHC Insurance Services Ltd (the "Insurer").

This Insurance may be cancelled by the Insurer or Insured in accordance with the relevant provisions of the Insurer's policy for this type of risk unless otherwise specified below. Subject to the foregoing this Binder is effective until replaced by delivery of the Insurer's written contract.

NAMED INSURED: PacifiCorp, PPW Holdings LLC. and PacifiCorp doing business as Pacific Power and doing business as Utah Power and any or all subsidiaries or affiliated companies as now or hereafter constituted.

ADDRESS OF INSURED: c/o MidAmerican Energy Holdings Company, 666 Grand Avenue, Des Moines, IA.50303

POLICY PERIOD: From: March 21, 2006
To: March 20, 2007
Both days inclusive

POLICY NO.: 388-1-GL002

COVERAGE: Combined Liability

LIMITS OF LIABILITY:

A. Public/Products Liability:	\$750,000 any one event
B. Pollution liability:	\$750,000 any one event
C. Financial Loss including Failure to Supply:	\$750,000 any one event
D. Professional Liability:	\$750,000 any one event
E. Bailiffs Wrongful acts:	\$750,000 any one event
F. Electromagnetic Fields (excl. diminution in Property Values):	\$750,000 any one event
G. Electromagnetic Fields (Diminution in Property values Defence Costs only):	\$750,000 any one event
H. Auto Liability:	\$750,000 any one event
I. Employer's Liability:	\$750,000 any one event
J. Aircraft:	\$750,000 any one aircraft/event

INSURED'S RETAINED LIABILITY: \$250,000 any one event

TERRITORY: California, Oregon, Utah, Washington and Wyoming

RETROACTIVE DATES: Pollution Liability: 24th December 1986
Electromagnetic Fields: 24th December 1986
Professional Liability: 24th December 1986

PREMIUM: \$1,636,910

**IMPORTANT NOTICE REGARDING
THE TERRORISM RISK INSURANCE ACT OF 2002**

You are hereby notified that under the Terrorism Risk Insurance Extension Act of 2005, effective January 1, 2006 you have the right to purchase insurance coverage for losses arising out of acts of terrorism, as originally defined in Section 102(1) of the Terrorism Risk Insurance Act of 2002. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the attorney General of the United States to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property; or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

This policy does not contain a terrorism exclusion. Subject to policy terms, conditions and exclusions coverage for terrorism losses as defined in TRIEA is therefore already provided.

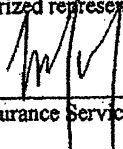
\$16,369 of the premium charged for this policy is attributable to coverage for such losses.

You should know that coverage provided by this policy for losses caused by certified acts of terrorism are partially reimbursed by the United States under a formula established by Federal law. Under this formula, for losses occurring through calendar year 2006 the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. For losses occurring during calendar year 2007 the United States pays 85% of such losses. Also, as respects an act of terrorism that occurs on or after April 1, 2006, although the act may be certified under TRIEA and the insurer will be required to make payment under this policy, unless total insured losses that arise out of the act for all insurers as a group meet certain dollar thresholds established by TRIEA, the United States will not be required to provide any reimbursement.

The Act may limit our liability to you under this policy. If annual aggregate insured TRIEA losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured TRIEA losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

This notice does not modify any of the existing terms and conditions of this binder.

IN WITNESS WHEREOF, this Binder of Insurance is signed by an authorized representative this 21st day of March, 2006.



MEHC Insurance Services Ltd

EXHIBIT C

BINDER OF INSURANCE

FOR PROPERTY DAMAGE INCLUDING

DAMAGE TO

OVERHEAD TRANSMISSION AND DISTRIBUTION LINES

MEHC Insurance Services Ltd
76 St. Paul Street
Suite 500
Burlington, VT 05401-4477

Telephone: (802) 862-4400
Facsimile: (802) 860-0440

BINDER OF INSURANCE

This Binder evidences that, in consideration of payment made by the Named Insured of the premium specified, the insurance stated below has been placed with MEHC Insurance Services Ltd (the "Insurer").

This Insurance may be cancelled by the Insurer or Insured in accordance with the relevant provisions of the Insurer's policy for this type of risk unless otherwise specified below. Subject to the foregoing this Binder is effective until replaced by delivery of the Insurer's written contract.

NAMED INSURED: PacifiCorp, PPW Holdings LLC. and PacifiCorp doing business as Pacific Power and doing business as Utah Power and any or all subsidiaries or affiliated companies as now or hereafter constituted.

ADDRESS OF INSURED: c/o MidAmerican Energy Holdings Company, 666 Grand Avenue, Des Moines, IA.50303

POLICY PERIOD: From: March 21, 2006
To: March 20, 2007
Both days inclusive

POLICY NO.: 388-1-PR001

COVERAGE: Property Damage Including damage to Overhead Transmission and Distribution lines beyond 1,000 feet from the Insured's generating premises.

LIMITS OF LIABILITY: \$6,000,000 combined single limit Property Damage any one occurrence unlimited in all.

\$10,000,000 and in the annual aggregate in respect of Overhead Transmission and Distribution lines beyond 1,000 feet from the Insured's generating premises

INSURED'S RETAINED LIABILITY: \$1,500,000 any one occurrence in respect of damage to Property except for:

Overhead Transmission and Distribution lines beyond 1,000 feet from the Insured's generating premises: \$5,000,000 each and every loss and in the annual aggregate- all losses excess of \$25,000 contribute to the annual aggregate.

NOTE; When the INSURED'S RETAINED LIABILITY in the annual aggregate reaches \$5,000,000 this policy will cover the Insured up to \$10,000,000 as stated above under LIMITS OF LIABILITY

Any aggregate limits contained in this binder is a shared aggregate and applies to all binders and policies issued by the Insurer to the Named Insured.

TERRITORY: California, Oregon, Utah, Washington and Wyoming

PREMIUM: \$5,732,090

**IMPORTANT NOTICE REGARDING
THE TERRORISM RISK INSURANCE ACT OF 2002**

You are hereby notified that under the Terrorism Risk Insurance Extension Act of 2005, effective January 1, 2006 you have the right to purchase insurance coverage for losses arising out of acts of terrorism, as originally defined in Section 102(1) of the Terrorism Risk Insurance Act of 2002. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the attorney General of the United States to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property; or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

This policy does not contain a terrorism exclusion. Subject to policy terms, conditions and exclusions coverage for terrorism losses as defined in TRIEA is therefore already provided.

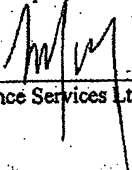
\$57,320 of the premium charged for this policy is attributable to coverage for such losses.

You should know that coverage provided by this policy for losses caused by certified acts of terrorism are partially reimbursed by the United States under a formula established by Federal law. Under this formula, for losses occurring through calendar year 2006 the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. For losses occurring during calendar year 2007 the United States pays 85% of such losses. Also, as respects an act of terrorism that occurs on or after April 1, 2006, although the act may be certified under TRIEA and the insurer will be required to make payment under this policy, unless total insured losses that arise out of the act for all insurers as a group meet certain dollar thresholds established by TRIEA, the United States will not be required to provide any reimbursement.

The Act may limit our liability to you under this policy. If annual aggregate insured TRIEA losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured TRIEA losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury.

This notice does not modify any of the existing terms and conditions of this binder.

IN WITNESS WHEREOF, this Binder of Insurance is signed by an authorized representative this 21st day of March, 2006.



MEHC Insurance Services Ltd