**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UE 179**

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|---|---|
| In the Matter of | ) |
| | ) |
| PACIFICORP, | ) |
| | ) |
| Request for a general rate increase in the company's Oregon annual revenues. | ) |

DIRECT TESTIMONY ON THE RATE CASE

OF THE

CITIZENS' UTILITY BOARD OF OREGON

July 12, 2006

# BEFORE THE PUBLIC UTILITY COMMISSION

# OF OREGON

# UE 179

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| In the Matter of<br><br>PACIFICORP,<br><br>Request for a general rate increase in the company's Oregon annual revenues. | ) ) ) ) ) ) ) ) | DIRECT TESTIMONY<br>ON THE RATE CASE OF<br>THE CITIZENS' UTILITY BOARD<br>OF OREGON |

Our names are Bob Jenks and Lowrey Brown, and our qualifications are listed in CUB Exhibits 101 and 201 respectively.

## I. Introduction

PacifiCorp is in the midst of a transition from ScottishPower ownership to MidAmerican Energy Holdings Company (MidAmerican) ownership. The original filing was based on a projected 2007 test year with PacifiCorp owned by ScottishPower. Obviously this has changed. As some costs get updated as this case progresses, any given item in the Company's rate case filing could be based on ScottishPower, MidAmerican, or a mixture. Regardless of each individual cost, the fundamental question remains of whether the overall revenue requirement established just last year, based on PacifiCorp costs under ScottishPower ownership, is insufficient for PacifiCorp under MidAmerican ownership. We recommend the Commission deny PacifiCorp's application for a general rate increase, and grant only the power cost increase it finds appropriate.

Should the Commission choose to examine the Company's filing on a cost-by-cost basis, we propose a few adjustments to PacifiCorp's forecast. CUB's adjustments by no means represent the universe of appropriate adjustments to the Company's filed case, and we expect Staff and other parties to raise other problems with PacifiCorp's filing and propose adjustments to remedy them. We recommend a Commission decision that includes not only CUB's, but appropriate Staff and other party adjustments, as well.

## II. No Rate Increase Warranted Beyond Power Cost Update

PacifiCorp has the burden of proof in demonstrating that the Company's current rates, supplemented by the 2007 power cost update, are not adequate, and the Company has not met that burden. PacifiCorp gives us no reason to believe that the Company's costs under ScottishPower ownership are not sufficient to operate PacifiCorp under MidAmerican ownership. Last October, the Commission granted the Company a 3.2% increase,[1] and, in the 2007 power cost update alone, power costs may jump 11.5%,[2] if the Company receives its requested power cost increase in its April filing. Rates went up last year, will go up this year, and will most likely continue to go up, through the Company's annual power cost updates, regardless of this – or any – general rate case. PacifiCorp has not shown that its operations under MidAmerican ownership need another non-power cost increase after its increase under ScottishPower ownership last fall, and it is the Company's obligation to demonstrate another increase is necessary.

[1] UE 170 Order No. 05-1050, page 1.
[2] Current power costs: $797 M (PPL/500/Widmer/2). April requested power costs: $889 M (April TAM Update).

**A. Which Costs Are Whose And What Are They?**

PacifiCorp filed this rate case in February, and MidAmerican officially took the helm in March. Since MidAmerican took over, there have been numerous changes in the company, including a different corporate structure and a different CEO. Two of the witnesses in this case (McRichie and Rosbourgh) are no longer with PacifiCorp, and at least three of the witnesses from UE 170 are no longer with the Company (Omohondro, Martin and Rosbourgh). As the docket progresses, the forecast of any given item is more and more of a mishmash of costs under ScottishPower and costs under MidAmerican. After only four months of MidAmerican ownership, operational changes can only just be starting to take shape, and forecasting an individual 2007 cost under MidAmerican is difficult at best. PacifiCorp's understanding of how specific costs will be different under MidAmerican than they were under ScottishPower is just developing, and the Company certainly couldn't have foreseen such line-item changes back in February.

As Mr. Gale pointed out when addressing MidAmerican's then-potential acquisition of PacifiCorp:

> We cannot quantify these opportunities until after MEHC better understands the operations and circumstances of PacifiCorp, and that cannot occur until MEHC owns PacifiCorp.

UM 1209 PPL/312/Gale/14.

> Without the experience that can be gained by operating the business, MEHC is not able to quantify savings that can be gained by changes in business practices.

UM 1209 PPl/312/Gale/12.

PacifiCorp's costs specifically under MidAmerican are still in the early stages of emergence, which undermines the Company's attempted justification that its Oregon revenue requirement must grow by more than 13%[3] from the amount it was granted last October under ScottishPower ownership.

**B. An Employee Level Example**

PacifiCorp's employee levels, both in comparisons of actual levels to budgeted levels, as well as in a comparison of reported actual levels in different data responses, demonstrate the difficulty of forecasting costs smack in the middle of the MidAmerican transition. The comparisons also demonstrate a consistent over-forecasting of employee levels. The following table compiles PacifiCorp's employee levels as provided in various data responses.

**PacifiCorp Employee Levels In Data Responses**

| | Oct 2005 | Dec 2005 | Apr 2006 | Jun 2006 |
|---|---|---|---|---|
| Actual[4] | 5,974 | | 5,967 - 5,986 | 5,941.5 |
| Actual[5] | 5,974 | 6,011 | 5,998.5 | |
| Budgeted[6] | 7,099 | 7,120 | 6,956.5 | 6,966.5 |
| Delta - Budget to Actual | 1,125 | 1,109 | 958.0 | 1,025.0 |

* Full-Time Equivalents

The case was filed assuming 5,974 employees, but by June of 2006, employee levels were well below this level. Clearly, employee levels are over-forecasted, and it is not clear if or by how much they may decline before the beginning of the test year. This example shows that PacifiCorp's employee level, which is a moving target to begin with, is changing so quickly that the timing of the Company's data responses can result in

[3] UE 179 Trail Brief, Exhibit A.
[4] PacifiCorp response to OPUC 299(b)2, which is confidential. The Company gave CUB permission to use these numbers publicly. We appreciate the Company considering and granting our request.
[5] CUB Exhibit 202. PacifiCorp response to ICNU data request 11.5.
[6] CUB Exhibit 202. PacifiCorp response to OPUC data request 209.

different answers. It also demonstrates that the record does not support an employee level of 5,974.

The context for the Company's rate case filing is morphing rapidly, and which costs will rise and which costs will fall has not yet settled out of the mix. Regardless of this ScottishPower–MidAmerican mélange, the fundamental question remains: Has PacifiCorp demonstrated that the overall revenue requirement the Company was granted last year under ScottishPower, updated for power costs, is not sufficient for the Company under MidAmerican ownership?

No, and how could PacifiCorp demonstrate such an increase in costs when it can't yet have established what the Company's costs will be? We recommend the Commission deny PacifiCorp's application for a rate increase in the Company's general rate case filing, and recognize only those power cost changes it deems appropriate. If the Commission chooses to recognize PacifiCorp's filing, such as it is, the specific adjustments we recommend follow. In addition, CUB has co-sponsored a cost-of-capital witness with the Industrial Customers of Northwest Utilities (ICNU), Michael Gorman, and his testimony is CUB-ICNU/400/Gorman.

## III. Allocating The Cost Of Taxes

The permanent rules implementing Senate Bill 408 have not yet been established, and those rules may well render a tax adjustment in PacifiCorp's rate case, unnecessary, as the automatic adjustment clause may pick up such an adjustment. In the absence of permanent rules we feel it necessary to correct PacifiCorp's tax forecast here, especially in light of Staff's opinion that general rate cases are the appropriate venue for a SB 408 tax adjustment.[7] While this adjustment is less than what we have proposed in AR 499, it is important to better align taxes collected with taxes paid as dictated by SB 408;[8] more importantly, CUB's adjustment better aligns the Company's tax forecast with the actual tax cost that will eventually be paid.

## A. Taxes Are A Consolidated Cost Paid By The Corporate Family

When a utility is brought into a corporate family, there are costs the utility no longer has to shoulder alone. Affiliates within a holding company structure can share such costs as corporate secretarial services, shareholder services, insurance, and accounting services. The consolidated tax liability is also a cost paid by the corporate group. It is irrational to attribute the cost of the consolidated tax liability in a manner that is entirely inconsistent with the way other shared costs are attributed, and with no regard to the utility's share of the consolidated tax cost within the corporate structure.

### *i. Stand-Alone Tax Attribution Is A Perverse Way To Allocate A Cost*

Taxes are a cost. Oregon practices cost-based regulation. For a utility within a holding company structure, the cost is not what the utility's stand-alone tax liability would have been, because the utility is not stand-alone and does not pay taxes as a stand-alone company. The tax cost is the tax liability of the corporate family as paid on a consolidated basis. Under cost-based regulation, some portion of the consolidated tax liability (the cost) should be attributed to the utility.

If a utility were to suggest that any other shared cost (*e.g.* shareholder services) should be charged to a utility as if the cost were not shared – using the rationale that, had the utility been stand-alone, the utility would have paid the entirety of the stand-alone

[7] AR 499 Staff's Comments On Straw Proposals, page 4.
[8] Senate Bill 408, Section 2(1)(a).

expense on its own – customers would rightly judge this to be unfair. This may help explain why Oregonians have been angry over the amount they are charged for taxes in utility rates.

Allocating a shared cost, taxes or otherwise, such that utility customers pay the entire amount they would have paid had the utility been stand-alone, is perverse. It presumes a cost that doesn't actually exist because the utility is not stand-alone, and it denies utility customers the benefit of cost-sharing among affiliates in a conglomerate. Not only is it perverse, but it stands in conflict with cost-based regulation.

***ii. Stand-Alone Tax Attribution Provides Perverse Incentives***

Stand-alone tax imputation, as preferred by the utilities and by Staff, provides incentives for utility ownership that are not appropriate. First, it makes a utility more valuable to shareholders through a holding company structure than through a stand-alone structure. It is perverse for Oregon regulation to encourage investors to purchase an Oregon utility through a conglomerate, as opposed to purchasing it as a stand-alone utility. Such an incentive makes it less likely that Oregon utilities will be stand-alone or locally headquartered. Second, stand-alone tax attribution encourages holding companies to acquire and maintain debt – in order to benefit from interest tax deductions – which is not beneficial to the financial strength of the utility's corporate family.

**a. Favors A Utility In A Holding Company Structure Over A Stand-Alone Structure**

Stand-alone tax attribution makes a utility more valuable in a holding company structure than it would be as a stand-alone company, because a stand-alone utility will not only forecast its taxes on a stand-alone basis, but will also pay its taxes on a stand-alone basis. While actual taxable income is sometimes higher and sometimes lower than forecast, there isn't a whole lot of room for stand-alone utility shareholders to profit from this arrangement.

A holding company, on the other hand, can use a utility with stand-alone tax attribution to absorb tax deductions, such as the interest deductions on its debt, while still collecting tax payments from customers as if those tax deductions had never been taken. The holding company's consolidated tax liability (the actual cost in cost-based ratemaking) is the real cost, but for purposes of charging utility customers, stand-alone tax attribution allows the holding company to pretend the tax cost is something else.

**b. Encourages Debt In A Utility's Holding Company**

Not only does stand-alone tax attribution encourage conglomerate ownership of Oregon utilities, but, for the very same reason, stand-alone tax attribution encourages an Oregon utility's holding company to acquire and maintain debt. The more debt a holding company carries, the greater its interest tax deduction will be, and the more profit it can make from utility customer tax payments. This hardly encourages strong, equity-rich holding company structures. This situation is highlighted by MidAmerican and PacifiCorp's association with extremely cash-heavy Berkshire Hathaway. Berkshire could easily put an enormous amount of equity into MidAmerican, but keeping debt at MidAmerican provides the interest tax deductions that reduce MidAmerican's consolidated tax liability. If customers are charged PacifiCorp's theoretical stand-alone tax liability, millions of dollars in additional tax payments from PacifiCorp's captive customers are fed into MidAmerican coffers.

It is not appropriate for Oregon regulation to prefer conglomerate ownership of Oregon utilities over direct investor ownership. It is also not appropriate for Oregon regulation to encourage and reward holding companies for carrying debt.

**B. Adjusting PacifiCorp Tax Forecast Toward The Actual Tax Cost**

MidAmerican carries a large debt burden that provides the holding company with a significant amount of interest-related tax deductions. These deductions reduce the consolidated tax liability of the MidAmerican sub-group of Berkshire Hathaway. As this reduction in tax liability is known and measurable, it should be included when forecasting the taxes to be included in customer rates.

CUB Exhibit 203 shows the calculation we used to forecast the impact of interest tax deductions at MidAmerican on PacifiCorp's share of the MidAmerican consolidated tax liability.[9] Unfortunately, in the Company's response to our data request, PacifiCorp did not provide the interest rate MidAmerican pays on its debt to Berkshire. The Company's reason for this omission is that any interest paid by MidAmerican to Berkshire is taxed at Berkshire, and that these offset each other. We disagree.

The appropriate way to determine PacifiCorp's share of its corporate family's consolidated tax liability is to work systematically, from the bottom of the ownership structure. PacifiCorp's share of the consolidated tax payment should be established by determining its share of its immediate parent's, MidAmerican's, consolidated tax liability, which includes a significant, easy-to-forecast interest tax deduction.

We disagree with PacifiCorp that we should ignore debt at MidAmerican when that debt is a loan from Berkshire Hathaway. While Berkshire has tax liability on its earnings and some of those earnings come from interest on loans to MidAmerican, this does not change our calculation. If Berkshire's cash were not earning interest from

[9] As everyone is well aware, how customers are charged for taxes is a sensitive issue. We appreciate PacifiCorp providing the information to make this calculation as non-confidential. The Company's choice makes the adjustment easier to discuss, makes the paperwork of testimony easier, and demonstrates thoughtful, sparing use of the protective order.

MidAmerican or MidAmerican were not paying interest to Berkshire, Berkshire would still be earning interest and MidAmerican would still be paying it. The principle of utility customers being charged the lower of cost or market dictates that this loan should not create a higher revenue requirement to customers by not accounting for the interest tax deductions associated with it, merely because the loan is between affiliates.

The tax adjustment we propose should be updated with MidAmerican's actual weighted average cost of debt, instead of a theoretical, almost-weighted average cost of debt. While adjusting PacifiCorp's tax forecast to account for MidAmerican's interest tax deduction will not fully capture the benefit of sharing a consolidated tax burden with the many affiliates of Berkshire Hathaway, it is a reasonable adjustment that can be forecast for a future test year. It will bring the tax forecast closer to what the Company's share of the consolidated tax liability will be, and will specifically help to align the benefit and burden of debt at PacifiCorp's parent company.

PacifiCorp's tax forecast should be reduced by $14.3 million on an Oregon basis, $23.8 million when grossed-up to revenue requirement, to account for the interest-related tax deductions at MidAmerican.

## IV. Uncollectible Expense

PacifiCorp's proposed uncollectible expense more than doubles from less than $3 million in the Company's UE 170 filing to $6.2 million in this filing.[10] The Company's testimony offers no explanation for why this expense should increase so dramatically. PacifiCorp's uncollectible expense is based on fiscal year 2005, the Company escalates this amount for inflation, and then escalates it again for the rate

[10] UE 170/Weston/1.2 and UE 170/Weston/2.13 & PPL/901/Wrigley/4.0.11 ($5,510,756) and PPL/901/Wrigley/1.2 ($729,551).

increase proposed in this case. However, the Company's uncollectible expense can be quite volatile, and using only one year of data to forecast this expense makes the forecast very susceptible to the base year used.

**PacifiCorp Uncollectible Expense**

| | |
|---|---|
| 2003 | $ 6,183,270 |
| 2004 | $ 2,451,632 |
| 2005 | $ 5,241,997 |
| Average '03-'05 | $4,625,633 |
| Proposed in UE 179 | $ 6,240,307 |

CUB Exhibit 204

As can be seen for the years 2003 to 2005, the uncollectible expense jumped around quite a bit. It would make more sense, in forecasting for a future test year, to use a rolling average to better normalize the uncollectible expense. A rolling average both smoothes the uncollectible expense over time, and makes this variable less sensitive to the timing of a rate case filing. CUB recommends using the average of PacifiCorp's uncollectible expense from 2003 through 2005 as a better forecast than the use of one year of data, 2005.

In addition to the problem of using only one year of data to forecast a volatile expense, PacifiCorp's forecast double-escalates the uncollectible expense. First the 2005 value is escalated to 2007 for inflation, then the uncollectible expense is escalated again for the rate increase, but isn't the rate increase supposed to capture escalating costs and inflation? If the Company's theory behind escalating for inflation is that customers will have a harder time paying as prices go up, then it does not make sense to adjust for inflation on top of the actual price increase. Problems with this theory are that it doesn't account for a concurrent increase in personal and business income with inflation, and customers' ability to pay is not a raw good or service that would be measured directly by inflation. Under the above theory, either the uncollectible expense could be escalated for inflation or it could be escalated with the rate increase, but not both. That being said, the actual data suggests that it should be adjusted for neither. The uncollectible expenses in 2004 and 2005 were less than 2003, which demonstrates that this expense does not directly increase with inflation or rate increases.

CUB recommends that PacifiCorp's proposed uncollectible expense be reduced to $4.6 million from the $6.2 million proposed by the Company, thereby reducing the Company's requested increase by $1.6 million on an Oregon basis.

## V. Incentives & Bonuses

The bonuses in PacifiCorp's rate case filing are based upon the bonus system used by ScottishPower, but there is no reason to believe that MidAmerican will adopt ScottishPower's bonus system. Regardless, the basic premise that bonuses are awarded based on a mixture of accomplishments that benefit shareholders and accomplishments that benefit customers remains valid. In addition, while many employee accomplishments that benefit the Company also benefit customers, this is not always the case. A successful rate case from the Company's perspective may not be seen by customers as a success. Likewise, PacifiCorp might see the repeal of SB 408 as a success, but customers are unlikely to share that sentiment. Finally, bonuses are awarded with considerable discretion, such that it is difficult for the Commission to judge the actual basis upon which a bonus was awarded.

We recommend the disallowance percentages Oregon has traditionally used for bonuses: 100% of executive bonuses and 50% of non-executive bonuses.

## VI. Rent Of Electric Property

Rent of electric property is tracked in FERC Account 454, and represents the revenue PacifiCorp receives from other parties for the use of the Company's property. A significant portion of this comes from pole attachments which include telephone and cable television wires and other equipment.[11] For this rate case, PacifiCorp forecasts its revenue from the rent of electric property to be the same as it was in fiscal year 2005 (which was predominantly calendar year 2004).[12] This is unreasonable. The past few years show an upward trend in the Company's revenue from rent of electric property, and the Company has not demonstrated that a static level of such revenue is realistic.

In PacifiCorp's fiscal year 2004, April 2003 through March 2004, the Company collected $6.1 million on an Oregon basis in revenue from rent for electric property. In its fiscal year 2005, the Company collected $6.9 million for rent of electric property. This is the number the Company filed in this case.[13] By the end of the third quarter of fiscal year 2006, the Company had already collected $7.8 million. These fiscal 2004 and 2005 revenues represent a 13% and 14% increase, respectively, and the 14% increase represents only three-quarters of a year.[14] There is no basis to forecast this number for all of calendar year 2007 to be less than it was for just the last 9 months of calendar year 2005.

In order to calculate a more-accurate forecast of PacifiCorp's rent of electric property, we updated the figure by using the most recent 12 months of data available, calendar year 2005, and then escalated this amount to calendar year 2007. Using the

[11] ORS 757.270.
[12] CUB Exhibit 205.
[13] PPL/901/Wrigley/3.0.2. Oregon + (26.63%)(SG) + (28.44%)(SO).
[14] CUB Exhibit 205.

most recent data better responds to the evidence showing an upward trend in revenue from rent of electric property. CUB Exhibit 205 shows these calculations.

Using CUB's calculation, PacifiCorp's 2007 revenue from rent of electric property should be $10.7 million, not $6.9 million. This probably underestimates what the actual rent will be in 2007, because we used Global Insight's Utility Cost Escalator for Distribution Plant – 2.5% for 2006 and 1.6% for 2007 – to escalate the 2005 amount to 2007, and this escalator is well below the recent trend line. In addition, the distribution escalators are lower than most other escalators used in the Company's filing.[15] However, because the rent primarily comes from distribution plant, the distribution plant escalator is reasonable for this forecast.

PacifiCorp's forecast for rent of electric property should be raised to $10.7 million on an Oregon basis.

## VII. Conclusion

We recommend that the Commission:

- Deny PacifiCorp's application for a general rate increase; and
- Accept only those power cost increases the Commission deems appropriate.

If the Commission chooses to address PacifiCorp's proposed rate increase on an item-by-item basis, we recommend that the Commission:

- Reduce PacifiCorp's revenue requirement by $23.8 million to account for the interest tax deductions at MidAmerican;
- Reduce the Company's uncollectible expense forecast by $1.6 million based on a three-year rolling average;

[15] PPL/901/Wrigley/4.0.19.

- Disallow 100% of executive bonuses and 50% on non-executive bonuses as a reasonable split between shareholders and customers;
- Increase PacifiCorp's projected revenue from rent of electric property by $3.8 million to $10.7 million on an Oregon basis by using more recent data than used for the Company's filing, and escalating this amount to the forward test year; and
- Adopt appropriate adjustments recommended by Staff and other intervenors.

**WITNESS QUALIFICATION STATEMENT**

| | |
|---|---|
| **NAME** | Lowrey R. Brown |
| **EMPLOYER** | Citizens' Utility Board of Oregon |
| **TITLE** | Utility Analyst |
| **ADDRESS** | 610 SW Broadway, Suite 308<br>Portland, OR 97205 |
| **EDUCATION** | Master of Science, Engineering<br>Bachelor of Science, Civil Engineering<br>Stanford University, Stanford California |
| **EXPERIENCE** | Provided comments and participated in settlement discussions in OPUC dockets AR 495, UE 161, UE 173, UM 1014, UM 1147, UM 1158, UM 1169, UM 1206, and UM 1209. Presented testimony and engaged in settlement proceedings in UE 165, UE 167, UE 170, UM 1121, and UM 1187. Participated in technical subcommittees for the Governor's Advisory Group on Global Warming, and in the Regional Representatives Group for Grid West. Currently involved in the development of PacifiCorp's and PGE's integrated resource plan.<br><br>Prior to this, worked as a consultant with KEMA-Xenergy in Portland from 2002 to 2003 on energy and energy efficiency issues. Between 1997 and 2001, freelanced in Colorado for The Valley Journal, Solar Energy International, Energy Systems Engineering, and Resource Engineering providing writing and technical assistance. |

UE-179/PacifiCorp
June 1, 2006
ICNU 11th Set Data Request 11.5

**ICNU Data Request 11.5**

Please provide the level of manpower that is equivalent to the level included in the Company's test year revenue requirement for the following dates:

a. October 31, 2005;

b. December 31, 2005; and

c. June 30, 2006.

**Response to ICNU Data Request 11.5**

a. Actual Full Time Equivalents (FTEs) at the end of October 2005 was 5,974. The labor adjustment included in the revenue requirement for the test period is based on this level of FTEs.

b. Actual Full Time Equivalents (FTEs) at the end of December 2005 was 6,011.

c. No employee count data is available for June 30, 2006. Actual Full Time Equivalents at the end of April 2006 was 5,998.5.

**Attach OPUC 209**

| FY-2006 Budget | Period | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Apr 2005 | May 2005 | Jun 2005 | Jul 2005 | Aug 2005 | Sep 2005 | Oct 2005 | Nov 2005 | Dec 2005 | Jan 2006 | Feb 2006 | Mar 2006 |
| Total FTEs | 6,865.0 | 6,890.0 | 6,919.0 | 6,983.0 | 7,021.0 | 7,047.0 | 7,099.0 | 7,110.0 | 7,120.0 | 7,134.0 | 7,122.0 | 7,125.0 |
| FY-2007 Budget | Period | | | | | | | | | | | |
| | Apr 2006 | May 2006 | Jun 2006 | Jul 2006 | Aug 2006 | Sep 2006 | Oct 2006 | Nov 2006 | Dec 2006 | Jan 2007 | Feb 2007 | Mar 2007 |
| Total FTEs | 6,956.5 | 6,951.5 | 6,966.5 | 6,974.5 | 6,982.0 | 6,985.0 | 6,973.0 | 6,978.5 | 6,959.5 | 6,950.5 | 6,950.5 | 6,950.5 |

## PacifiCorp Parent Interest Tax Deduction

| | |
|---|---|
| MEHC Debt | $6,065,000,000 |
| Average Interest Rate | 6.24% |
| Interest Amount | $378,456,000 |
| State & Federal Interest Deduction (37.95%) | $143,624,052 |
| PacifiCorp Share (35%) | $50,268,418 |
| Oregon Allocation (28.44%) | $14,296,338 |
| Gross-Up To Revenue Requirement (166.22%) | $23,763,373 |

**Notes**

MEHC Debt - From data response to CUB data request 14.

Average Interest Rate - From data response to CUB data request 14.

Average Interest Rate - This interest rate is based on the weighted average cost of debt excluding debt to Berkshire Hathaway. MidAmerican debt includes $1.289 million in debt to its parent, Berkshire. In providing CUB the interest rate on MidAmerican's debt, PacifiCorp did not provide the interest rate on the debt to Berkshire, arguing that any interest deduction is offset by taxes on that interest at Berkshire, and should not be subject to an interest deduction. We disagree, and expect to update this interest rate to include the interest rate on all MidAmerican debt.

State & Federal Interest Deduction (37.95%) - PPL/901/Wrigley/2.1.

PacifiCorp Share (35%) - S&P Credit FAQ, PacifiCorp will be about 35% of MEHC operating income.

Oregon Allocation (28.44%) - System Overhead Allocation Factor.

Gross-Up To Revenue Requirement - PPL/901/Wrigley/1.2.

UE-179/PacifiCorp
July 6, 2006
CUB Data Request 14

**CUB Data Request 14**

Please provide the following information concerning debt and interest at MEHC:

a. Please identify the debt at MEHC (stand-alone) using the most current figure available.
b. Please identify how much of this debt has credit support from Berkshire Hathaway.
c. Please identify how much of this debt is owed to Berkshire Hathaway.
d. Please identify the current interest rate associated with this debt, and any forecasted interest rate for 2007.

**Response to CUB Data Request 14**

a. The MEHC stand-alone information as of March 31, 2006 is shown below.

| Component | MEHC Historical[1] ($ in millions) |
|---|---|
| Debt | |
| Parent Company Senior Debt | $4,476.3 |
| Parent Company Subordinated Debt | 1,588.7 |
| Parent Company Senior and Subordinated Debt | $6,065.0 |

[1]MEHC Historical represents the 3/31/2006 parent only debt obtained from MEHC's March 31, 2006 Form 10-Q, page 5.

b. All of the debt has either explicit or implicit credit support from Berkshire Hathaway. Explicitly, Berkshire Hathaway has made an equity commitment to MEHC to purchase up to $3.5 billion of common equity, upon request, by the MEHC Board of Directors. Proceeds from such a purchase may be used to pay MEHC's debt obligations or fund the general corporate purposes and capital requirements of MEHC's regulated subsidiaries, including PacifiCorp. The commitment expires February 28, 2011. Implicit credit support is recognized by the rating agencies due to Berkshire Hathaway's voting interest increasing to 88.2% of outstanding common shares following the repeal of the Public Utility Holding Company Act, the willingness of a highly rated parent to provide on-going support based upon that parent's strong economic incentive to protect its investment in a consolidated subsidiary and public statements by Berkshire Hathaway regarding its strategic focus on the regulated side of the utility business. The credit ratings of PacifiCorp reflect this credit support by Berkshire Hathaway, as well as the ring fencing structure put in place by MEHC around PacifiCorp. *See* Standard & Poor's, "Summary: MidAmerican Energy Holdings Co.", June 20, 2006; Moody's Investors Service, "Credit Opinion: MidAmerican Energy Holdings Co.", March 1, 2006; Standard & Poor's, "Summary: PacifiCorp", June 19, 2006; and Moody's Investors Service, "Credit Opinion: PacifiCorp", March 1, 2006.

c. $1,289.2 million of the MEHC parent company subordinated debt is owed to Berkshire Hathaway. As such, any interest expense paid by MEHC is merely interest income to Berkshire Hathaway. The practical effect of this relationship is that the income of one affiliate is offset by the expense of another and there is no taxable income or tax deduction available to the consolidated entity. The remaining portion of the subordinated debt also has equity characteristics. Thus, while it is appropriate to technically include the subordinated debt in the response to part (a) above, all the subordinated debt have been excluded from the cost of debt shown in the response to part (d) below due to the equity characteristics of these securities.

d. The current debt interest rate and the 2007 forecasted debt interest rate are shown below.

**MEHC: Interest Rate on Debt at March 31, 2006**

| | Amount ($000's) | Weight | Nominal Cost | Weighted Average Cost |
|---|---|---|---|---|
| ***Parent Company Senior Debt*** | | | | |
| 4.625% Senior Notes, due 2007 | 199,708 | 4.4637% | 4.6250% | 0.2064% |
| 7.63% Senior Notes, due 2007 | 350,000 | 7.8228% | 7.6300% | 0.5969% |
| 3.50% Senior Notes, due 2008 | 449,674 | 10.0506% | 3.5000% | 0.3518% |
| 7.52% Senior Notes, due 2008 | 550,723 | 12.3091% | 7.5200% | 0.9256% |
| 5.875% Senior Notes, due 2012 | 499,917 | 11.1736% | 5.8750% | 0.6564% |
| 5.00% Senior Notes, due 2014 | 249,805 | 5.5834% | 5.0000% | 0.2792% |
| 8.48% Senior Notes, due 2028 | 475,000 | 10.6167% | 8.4800% | 0.9003% |
| 6.125% Senior Notes, due 2036 | 1,699,269 | 37.9802% | 6.1250% | 2.3263% |
| Purchase Accounting Adjustment | 2,216 | | | |
| Total Parent Company Senior Debt | 4,476,312 | | | 6.2429% |

## MEHC: Forecast Interest Rate on Debt for 2007

| | Amount ($000's) | | Weight | Nominal Cost | Weighted Average Cost |
|---|---|---|---|---|---|
| ***Parent Company Senior Debt*** | | | | | |
| 4.625% Senior Notes, due 10/1/2007 | 149,781 | (1) | 3.2700% | 4.6250% | 0.1512% |
| 7.63% Senior Notes, due 10/15/2007 | 277,083 | (1) | 6.0493% | 7.6300% | 0.4616% |
| 3.50% Senior Notes, due 2008 | 449,674 | | 9.8173% | 3.5000% | 0.3436% |
| 7.52% Senior Notes, due 2008 | 550,723 | | 12.0234% | 7.5200% | 0.9042% |
| 5.875% Senior Notes, due 2012 | 499,917 | | 10.9142% | 5.8750% | 0.6412% |
| 5.00% Senior Notes, due 2014 | 249,805 | | 5.4538% | 5.0000% | 0.2727% |
| 8.48% Senior Notes, due 2028 | 475,000 | | 10.3702% | 8.4800% | 0.8794% |
| 6.125% Senior Notes, due 2036 | 1,699,269 | | 37.0985% | 6.1250% | 2.2723% |
| 5.5% Senior Bonds, to be issued August, 2007 | 229,167 | (1) | 5.0032% | 6.0000% | 0.3002% |
| Purchase Accounting Adjustment | 7,634 | | | | |
| Total Parent Company Senior Debt | 4,588,053 | | | | 6.2263% |

(1) Pro rated for portion applicable in year 2007.

# Excerpt

STANDARD & POOR'S

CREDIT FAQ

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***Publication Date***
March 21, 2006

## Mid-American's Acquisition Of PacifiCorp—Implications For PacifiCorp's Bondholders

MidAmerican Energy Holdings Co. (MEHC; A-/Stable/—) today closed its acquisition ofPacifiCorp. (A-/Stable/A-2). MEHC purchased all of PacifiCorp's outstanding shares for about $5.1 billion in cash from Scottish Power plc (A-/Stable/A-2), which was funded from an investment by its parent, Berkshire Hathaway Inc. (AAA/Stable/A-1+). Subsequent to the purchase, MEHC is expected to repurchase $1.7 billion of Berkshire Hathaway's common stock in MEHC. PacifiCorp's long-term debt and preferred stock, which stood at about $4.1 billion as of Dec. 31, 2005, remains outstanding.

On March 6, in anticipation of the transaction being completed, Standard & Poor's affirmed the 'A-' corporate credit rating (CCR) on PacifiCorp and removed its ratings from CreditWatch with negative implications. The outlook is stable. This article addresses in further detail the acquisition from the perspective of PacifiCorp's bondholders and discusses the expected ramifications of the sale on PacifiCorp's future credit quality.

### Frequently Asked Questions

**Q:** *How has PacifiCorp's financial performance been in recent years?*

**A:** PacifiCorp's credit quality has benefited from the otherwise strong consolidated operations of Scottish Power, which purchased the utility in 1999 for $10.7 billion. On a standalone basis, financial performance has been weak but recovering. Scottish Power purchased PacifiCorp just prior to the western U.S. energy crisis, which, given the company's sizable short position as well as unplanned outages, resulted in deferred power costs of approximately $525 million, of which about $325 million was ultimately authorized for recovery in retail customer rates. Since then, the company has struggled to achieve cash flows commensurate with performance seen before the crisis. Funds from operations (FFO) has only stabilized in the last two fiscal years to levels on par with fiscal 2000, when FFO was

$728 million; for the 12 months ending Dec. 31, 2005, FFO improved to about $818 million. Earned return on equity (ROE), which has been around 7% in the past two years, has fallen chronically short of authorized levels, which range from 10%-10.5%, depending on the state. With respect to cash coverage metrics, PacifiCorp's 12 months ending Dec. 31 adjusted FFO to interest coverage was 3.5x, with adjusted FFO to total debt at 17.1%. Adjusted debt to total capitalization was 56%. These ratios consider PacifiCorp's substantial purchased power obligations, which contributes to off balance sheet adjustments of $537 million for the purposes of credit ratio calculations.

Multiple factors contributed to PacifiCorp's weakened financial performance over the last five years, and include the absence of fuel and purchase adjusters, except in Wyoming, where one was approved in February 2006; dry hydro conditions; increasing administrative and general costs, including escalating pension and health care costs; and regulatory lag in resolving sizable general rate cases. In addition, Scottish Power has projected that PacifiCorp requires $6.4 billion in capital expenditures over the next five years, which would have likely necessitated higher leverage at the parent to support the utility's infrastructure needs. These factors resulted in Scottish Power's decision in May 2005 to sell PacifiCorp.

**Q:** *Given these issues, why did MEHC buy PacifiCorp?*

**A:** Berkshire Hathawayhas sizable amounts of equity to invest, and has identified regulated utility assets as desirable because of the opportunity to deploy its capital in return for what the company expects will be reasonable and stable returns. PacifiCorp is also attractive because of its earnings upside if MEHC can improve actual ROEs to allowed levels.

The acquisition should fit well with MEHC's existing energy holdings, which are predominately in the regulated space and consist ofMidAmerican Energy Co. (MEC; A-/Stable/A-1), an IowA-based utility that serves 1.3 million electric and gas customers; CE Electric U.K. Funding Co. (BBB-/Stable/A-3), which serves 3.7 million electric customers (via the distribution companies of Yorkshire Electricity and Northern Electric); and two U.S. pipelines, Kern River Gas Transmission Co. (A-/WatchNeg/—)and Northern Natural Gas Co. (A/Stable/—) that are under the jurisdiction of the FERC. In 2005, these regulated entities contributed about 78% of MEHC's earnings (MEC was 26%, the U.K. operations were 25%, and the two pipelines accounted for 27%). MEHC's largest unregulated subsidiary is a real estate brokerage firm, HomeServices (not rated), which in 2005 provided about 13% of earnings. Through various subsidiaries, MEHC also owns additional independent power generation facilities, including hydroelectric and geothermal assets in the Philippines. Collectively, these unregulated energy companies contributed about 9% of 2005 earnings.

Despite the significant number of companies under MEHC, PacifiCorp is a sizable acquisition. The company operates under the legal names of Pacific Power and Utah Power, serving 1.6 million retail customers in six western U.S. states. Its total assets were $12.8 billion at year-end 2005, and at the 12 months ending Dec. 31, 2005, cash flow from operations was nearly $900 million. In comparison, MEHC's total asset value was $20.2 billion in 2005, and cash flow from operations was $1.3 billion.

Going forward, about 35% of MEHC's operating income is expected to come from PacifiCorp. PacifiCorp will push the proportion of MEHC's operating income earned from regulated businesses to about 91% by 2007. The acquisition also provides MEHC with substantial U.S. market and regulatory diversification. The majority of MEC's retail revenues are from customers in Iowa, but the utility also operates in portions of Illinois, South Dakota and Nebraska. PacifiCorp's territories include parts of Utah, Oregon, Wyoming, Washington, Idaho, and California. As shown in Table 1, while PacifiCorp's sales are concentrated in Utah and



**End Excerpt**

## PacifiCorp Uncollectible Expense

| Oregon | 2003<br>Sep-03 | 2004<br>Sep-04 | 2005<br>Sep-05 | Average<br>03 - '05 | PacifiCorp<br>as Filed |
|---|---|---|---|---|---|
| Uncollectible Ex. FERC 904 ($) | 6,183,270 | 2,451,632 | 5,241,997 | 4,625,633 | 6,240,307 |

2003, 2004, and 2005 data from OPUC data request 244.
PacifiCorp's filed number is the sum of $5,510,756 and $729,551.
From PPL/901/Wrigley/4.0.11 and PPL/901/Wrigley/1.2 respectively.

UE-179/PacifiCorp
April 19, 2006
OPUC Data Request 244

**OPUC Data Request 244**

Please refer to UE 170, J. Ted Weston Exhibit 801, page 1.2 and UE 179, Paul M. Wrigley's Exhibit 901, page 1.2. Uncollectibles in net to gross factor - more than doubled, from .278% to .652%. (a) Why? (b) Please supply this same factor for 12 Months ending December 2002, 2003, 2004, and 2005? (c) In addition, please provide on a CD the formula that PacifiCorp used to calculate .278% and .652% and be sure to show the proof of the work.

**Response to OPUC Data Request 244**

(a) The increase in the rate is directly related to an increase in account 904.

(c) The Oregon uncollectibles rate is calculated by dividing Oregon uncollectibles (FERC 904) by Oregon General Business revenues. The calculation is shown in the table below:

| | **UE-170** | **UE-179** |
|---|---|---|
| A. Oregon - Uncollectibles - FERC 904 | 2,263,751 | 5,510,756 |
| B. Oregon - General Bus. Revenues | 815,355,929 | 845,831,346 |
| Oregon - Uncollectibles Rate (A/B) | 0.278% | 0.652% |

(b) Below are the rates for the semi-annual reports closest to December of each of the years requested:

| | **2002**<br>**Mar-03** | **2003**<br>**Sep-03** | **2004**<br>**Sep-04** | **2005**<br>**Sep-05** |
|---|---|---|---|---|
| A. Oregon - Uncollectibles - FERC 904 | 5,966,590 | 6,183,270 | 2,451,632 | 5,241,997 |
| B. Oregon - General Bus. Revenues | 728,674,563 | 781,864,154 | 783,785,118 | 718,255,108 |
| Oregon Uncollectibles Rate (A/B) | 0.819% | 0.791% | 0.313% | 0.730% |

## Revenues from Rent of Electric Property ($)

| | Fiscal Year 2004 | | Fiscal Year 2005 | | Fiscal Year 2006 Quarters 1-3 | | Calendar Year 2005 | |
|---|---|---|---|---|---|---|---|---|
| | System | Oregon | System | Oregon | System | Oregon | System | Oregon |
| Oregon 100% to Oregon | 4,741,946 | 4,741,946 | 5,114,897 | ***5,114,897*** | 6,572,643 | 6,572,643 | 8,470,049 | 8,470,049 |
| SG 26.63% to Oregon | 4,935,126 | 1,314,120 | 4,988,017 | ***1,328,204*** | 3,901,071 | 1,038,773 | 5,209,742 | 1,387,245 |
| SO 28.44% to Oregon | 145,213 | 41,301 | 1,499,608 | ***426,517*** | 838,190 | 238,397 | 1,380,421 | 392,618 |
| Total | | 6,097,368 | | ***6,869,618*** | | 7,849,813 | | 10,249,911 |

***Bold italic*** highlights PacifiCorp's filed numbers

Source Data: OPUC Data Request 198

| Escalation of Calendar 05 to Calendar 07 | | |
|---|---|---|
| CY 05 | CY 06 | CY 07 |
| 10,249,911 | 10,506,159 | **10,674,257** |

Escalation factors are 2.5% for 2006 & 1.6% for 2007

Global Insight's Utility Cost Escalator for Distribution Plant, PPL/910/Wrigley/4.0.19.

**Attachment OPUC 198**

| | | | FY2004 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Apr-03 | May-03 | Jun-03 | Jul-03 | Aug-03 | Sep-03 | Oct-03 | Nov-03 | Dec-03 | Jan-04 | Feb-04 | Mar-04 |
| 450 | | | 530,412 | 497,582 | 447,196 | 460,526 | 439,086 | 548,134 | 519,687 | 388,663 | 454,084 | 505,644 | 576,331 | 455,972 |
| 451 | | | 621,170 | 650,372 | 653,522 | 636,583 | 511,696 | 549,268 | 451,732 | 471,390 | 390,848 | 468,587 | 472,121 | 481,922 |
| 454 | All Others | CA | 142 | 223 | 2,241 | 150 | 142 | 142 | 62 | 642 | 142 | 142 | 142 | 142 |
| | | IDU | 17,959 | 17,990 | 525 | 9,454 | 18,090 | 535 | 17,668 | 10,237 | 9,958 | 871 | 9,560 | 8,953 |
| | | NUTIL | 2,748 | 3,478 | 2,728 | 3,403 | 3,176 | 7,267 | 6,028 | 3,148 | 3,204 | 7,054 | 5,988 | (13,042) |
| | | OR | 79,784 | 72,104 | 78,741 | 76,701 | 58,636 | 78,996 | 94,059 | 79,554 | 72,895 | 78,574 | 74,465 | 74,399 |
| | | SG | 391,631 | 379,169 | 325,372 | 510,301 | 527,671 | 318,866 | 396,436 | 412,589 | 456,284 | 542,644 | 260,945 | 413,217 |
| | | SO | 70,814 | 44,237 | | 30,161 | | | | | | | | |
| | | UT | 74,036 | 79,043 | 96,634 | 102,584 | 137,942 | 93,026 | 95,634 | 158,777 | 115,374 | 155,358 | 190,801 | 266,768 |
| | | WA | 10,613 | 10,613 | 10,613 | 10,149 | 9,138 | 18,112 | 11,597 | 11,544 | 17,624 | 11,267 | 17,416 | 356 |
| | | WYP | 2,157 | 2,363 | 1,962 | 2,299 | 14,039 | 2,027 | 2,363 | 2,163 | 1,962 | 2,325 | 2,201 | 2,163 |
| | | WYU | 2,145 | 3,234 | 742 | 1,932 | 1,622 | 2,797 | 2,260 | 415 | 1,932 | 742 | 1,928 | 1,932 |
| | Joint Use (Pole Attachments) | CA | 51,370 | 530 | 622 | 254,022 | 2,843 | | 61,959 | | (157,725) | 33,216 | 32,865 | 36,465 |
| | | IDU | 30,383 | 96 | 1,340 | 61,242 | 708 | | 35,981 | 860 | (51,501) | 11,749 | 11,685 | 12,963 |
| | | OR | 721,958 | 1,954 | (8,174) | 2,129,088 | 38,396 | (588) | 886,178 | 25,366 | (994,280) | 316,012 | 315,871 | 391,256 |
| | | SG | | | | | | | | | | | | |
| | | SO | | | | | | | | | | | | |
| | | UT | 784,956 | 297,043 | 393,188 | 874,205 | 95,690 | 2,546,861 | 1,091,472 | (199,490) | (1,432,662) | (77,705) | 335,116 | 165,151 |
| | | WA | 344,777 | 68,944 | 82,921 | 548,794 | (20,575) | 22,697 | 208,269 | 68,394 | (180,286) | 270,313 | (144,377) | 83,784 |
| | | WYP | 76,658 | (1,894) | 92,290 | (92,185) | 3,392 | 59,560 | 152,177 | 46,617 | (546,262) | 20,999 | 74,433 | 24,958 |
| | | WYU | 5,253 | 1,000 | 66,396 | 463,138 | 26,931 | | | | (10,911) | 1,314 | (51,996) | 1,865 |
| 454 Total | | | 2,667,386 | 980,127 | 1,148,142 | 4,985,438 | 917,839 | 3,150,297 | 3,062,143 | 620,815 | (2,694,250) | 1,374,876 | 1,137,043 | 1,471,332 |
| Grand Total | | | 3,818,969 | 2,128,080 | 2,248,861 | 6,082,547 | 1,868,621 | 4,247,700 | 4,033,562 | 1,480,868 | (1,849,318) | 2,349,107 | 2,185,495 | 2,409,227 |

**Attachment OPUC 198**

| | | | FY2005 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Apr-04 | May-04 | Jun-04 | Jul-04 | Aug-04 | Sep-04 | Oct-04 | Nov-04 | Dec-04 | Jan-05 | Feb-05 | Mar-05 |
| 450 | | | 337,284 | 417,995 | 382,974 | 403,471 | 452,684 | 497,732 | 483,123 | 392,190 | 417,671 | 472,561 | 562,423 | 448,269 |
| 451 | | | 537,107 | 630,604 | 640,254 | 678,333 | 674,575 | 657,903 | 523,138 | 500,188 | 426,847 | 481,017 | 504,787 | 458,744 |
| 454 | All Others | CA | 142 | 142 | 142 | 142 | 142 | 142 | 142 | (7,957) | (358) | 142 | 142 | 142 |
| | | IDU | 8,945 | 8,958 | 8,944 | 9,999 | 9,300 | 318 | 8,910 | 17,500 | 8,903 | 8,903 | 8,869 | 329 |
| | | NUTIL | | | | | | | | | | | | |
| | | OR | 66,111 | 70,818 | 96,006 | 78,790 | 95,423 | 86,654 | 78,257 | 84,550 | 100,019 | 76,633 | 73,720 | 89,434 |
| | | SG | 424,566 | 448,517 | 359,437 | 495,285 | 459,496 | 323,812 | 465,440 | 350,057 | 352,736 | 597,406 | 411,744 | 299,521 |
| | | SO | | 42,638 | | | 208,291 | 268,348 | 50,692 | 234,748 | 152,661 | 150,962 | 174,103 | 217,166 |
| | | UT | 92,764 | 430,858 | 322,259 | 283,270 | 111,589 | 132,377 | 272,868 | 149,699 | 144,252 | 171,566 | 114,809 | 116,815 |
| | | WA | 9,375 | 12,563 | (11,290) | 11,364 | (3,764) | 3,808 | 9,870 | 4,120 | 9,960 | 3,754 | 10,106 | 3,732 |
| | | WYP | 1,962 | 1,962 | 1,962 | 1,897 | 2,027 | 1,831 | 2,093 | 1,962 | 1,962 | 1,167 | 1,244 | 1,206 |
| | | WYU | 150,095 | 417 | 749 | 2,246 | 737 | 1,925 | 1,925 | 3,115 | 1,925 | 1,925 | 1,925 | 1,925 |
| | Joint Use (Pole Attachments) | CA | 36,462 | 36,462 | 36,502 | (103,446) | 48,780 | 48,837 | 46,026 | 47,857 | (209,491) | 97,029 | 370,018 | 769,245 |
| | | IDU | 12,954 | 12,954 | 12,975 | 5,260 | 13,736 | 13,806 | 13,614 | 14,993 | (15,803) | 20,375 | 73,332 | 120,998 |
| | | OR | 286,847 | 292,314 | 317,377 | 148,758 | 311,827 | 341,771 | 338,777 | 343,896 | 79,296 | 612,951 | 670,073 | 374,594 |
| | | SG | | | | | | | | | | | | |
| | | SO | | | | | | | | | | | | |
| | | UT | 732,046 | 135,253 | 161,789 | 435,773 | 105,238 | 102,636 | 238,277 | 198,755 | 173,050 | 587,957 | 248,465 | 75,590 |
| | | WA | (534,190) | 73,758 | 73,069 | 112,674 | 78,721 | 78,702 | 77,438 | 81,201 | 57,937 | (612,542) | 233,343 | 96,233 |
| | | WYP | 23,900 | 14,160 | 7,239 | 21,980 | 18,867 | 18,831 | 48,410 | 27,315 | 10,311 | 43,423 | 114,825 | 169,224 |
| | | WYU | (6,131) | 3,464 | 3,464 | (22,578) | 3,847 | 3,847 | (5,747) | 3,847 | 3,847 | 3,301 | 3,846 | 3,846 |
| 454 Total | | | 1,305,850 | 1,585,236 | 1,390,625 | 1,481,413 | 1,464,256 | 1,427,645 | 1,646,992 | 1,555,658 | 871,207 | 1,764,953 | 2,510,565 | 2,339,999 |
| Grand Total | | | 2,180,241 | 2,633,835 | 2,413,853 | 2,563,217 | 2,591,516 | 2,583,280 | 2,653,254 | 2,448,036 | 1,715,726 | 2,718,531 | 3,577,775 | 3,247,012 |

**Attachment OPUC 198**

| | | | FY2006 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Apr-05 | May-05 | Jun-05 | Jul-05 | Aug-05 | Sep-05 | Oct-05 | Nov-05 | Dec-05 |
| 450 | | | 444,475 | 449,481 | 445,431 | 380,446 | 448,522 | 516,031 | 510,393 | 425,856 | 431,359 |
| 451 | | | 582,292 | 647,961 | 708,657 | 1,043,953 | 841,149 | 755,382 | 730,200 | 444,625 | 482,750 |
| 454 | All Others | CA | 142 | 142 | 142 | (65) | 1,542 | 1,480 | 1,542 | 1,542 | 1,542 |
| | | IDU | 8,871 | 8,884 | 8,870 | 17,946 | 661 | 8,867 | 8,860 | 17,390 | 8,858 |
| | | NUTIL | | | | | | | | | |
| | | OR | 86,905 | 97,587 | 91,433 | 101,624 | 137,428 | 143,344 | 100,062 | 76,343 | 100,273 |
| | | SG | 413,371 | 412,339 | 376,110 | 557,891 | 348,046 | 327,259 | 433,716 | 422,279 | 351,530 |
| | | SO | 223,129 | 206,729 | 215,283 | 201,539 | | (14,277) | 30,400 | (25,000) | |
| | | UT | 111,474 | 81,479 | 111,071 | 121,130 | 289,738 | 277,034 | 266,000 | 320,474 | 281,529 |
| | | WA | 22,811 | 16,581 | 1,963 | 5,508 | 6,866 | 11,523 | 8,617 | 6,983 | 13,285 |
| | | WYP | 7,497 | 7,654 | 1,206 | 1,481 | 4,834 | 4,834 | 4,834 | 4,934 | 4,834 |
| | | WYU | 1,925 | 1,925 | 1,917 | 1,917 | 1,917 | 727 | 3,107 | 727 | 1,916 |
| | Joint Use (Pole Attachments) | CA | 50,981 | 49,268 | 49,277 | 61,131 | 50,242 | 51,893 | 49,957 | 48,960 | (746,408) |
| | | IDU | 14,889 | 14,932 | 17,688 | 19,196 | 20,173 | 40,360 | 18,239 | 21,319 | 165,557 |
| | | OR | 323,384 | 375,379 | 428,373 | 375,076 | 410,870 | 575,471 | 378,291 | 428,941 | 2,341,858 |
| | | SG | | | | | | | | | 258,530 |
| | | SO | | | | | | 387 | | | |
| | | UT | 222,513 | 164,542 | 175,521 | 216,493 | 292,145 | 344,084 | 164,283 | 214,720 | 2,857,488 |
| | | WA | (16,683) | 82,695 | 66,272 | 82,066 | 95,553 | 199,111 | 90,335 | 114,955 | 2,745,151 |
| | | WYP | 51,424 | 28,269 | 32,700 | 55,034 | 66,886 | (198,092) | 44,339 | 44,448 | 811,700 |
| | | WYU | (5,739) | 3,844 | 3,844 | (21,384) | 3,736 | 3,736 | (5,852) | 3,737 | 3,737 |
| 454 Total | | | 1,516,894 | 1,552,249 | 1,581,672 | 1,796,583 | 1,730,637 | 1,777,743 | 1,596,730 | 1,702,754 | 9,201,382 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grand Total | 2,543,661 | 2,649,691 | 2,735,760 | 3,220,982 | 3,020,308 | 3,049,156 | 2,837,324 | 2,573,235 | 10,115,491 |



CUB/205
Jenks-Brown/4

## CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of July, 2006, I served the foregoing Direct Testimony on the Rate Case of the Citizens' Utility Board of Oregon in docket UE 179 upon each party listed below, by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending 6 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,

____________________________
Jason Eisdorfer #92292
Attorney for Citizens' Utility Board of Oregon

**W=Waive Paper service, Q=Confidential**

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**CITIZENS' UTILITY BOARD OF OREGON**

| | |
|---|---|
| OPUC DOCKETS | 610 SW BROADWAY STE 308<br>PORTLAND OR 97205<br>dockets@oregoncub.org |

**COMMUNITY ACTION DIRECTORS OF OREGON**

| | |
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**DAVISON VAN CLEVE**

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**DEPARTMENT OF JUSTICE**

| | |
|---|---|
| JASON W JONES **(Q)**<br>ASSISTANT ATTORNEY GENERAL | REGULATED UTILITY & BUSINESS SECTION<br>1162 COURT ST NE<br>SALEM OR 97301-4096<br>jason.w.jones@state.or.us |
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**MCDOWELL & ASSOCIATES PC**

| | |
|---|---|
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**W NORTHWEST ECONOMIC RESEARCH INC**

| | |
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**OREGON ENERGY COORDINATORS ASSOCIATION**

| | |
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**PACIFICORP**

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