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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE JOINT  
APPLICATION OF MIDAMERICAN  
ENERGY HOLDINGS COMPANY AND  
PACIFICORP DBA UTAH POWER &  
LIGHT COMPANY FOR AN ORDER  
AUTHORIZING PROPOSED  
TRANSACTION**

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) CASE NO. PAC-E-05-08  
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)  
) Direct Testimony of Brent E. Gale  
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)  
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**PACIFICORP**

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**CASE NO. PAC-E-05-08**

**July 2005**

1 **Introduction**

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

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

5 **Q. By whom are you employed and in what position?**

6 A. I am Senior Vice President, Legislation & Regulation, for MidAmerican Energy  
7 Company ("MEC"), a subsidiary and business platform of MidAmerican Energy  
8 Holdings Company ("MEHC").

9 **Q. Please describe the responsibilities of your current position.**

10 A. My primary responsibilities for MEC include U.S. regulatory and legislative  
11 strategic planning, state legislative relations, federal and state regulatory relations,  
12 rates, regulated cost of service, rate design, utility acquisitions, representation of  
13 MEC's interest in North America regarding electric and gas industry  
14 restructuring, and providing advice and assistance to MEHC regarding federal  
15 legislative policy.

16 **Q. Please describe your background.**

17 A. I received a B.A. degree from Drake University in 1972 and a J.D. degree, also  
18 from Drake, in 1976. After graduation I joined one of MEC's predecessor  
19 companies, holding positions of attorney, general counsel and vice president-  
20 general counsel. After the formation of MEC, I held the positions of vice  
21 president-regulatory law & analysis and vice president-legislation & regulation.

22 I am licensed to practice law in all state courts of Iowa, before the federal  
23 court for the Southern District of Illinois and before the District of Columbia

1 Circuit. I am a member of the Iowa State Bar Association, the EEI Legal  
2 Committee, the EEI Energy Delivery and Public Policy Executive Advisory  
3 Committee, the boards of the Illinois Energy Association, the Illinois Institute for  
4 Regulatory Policy Studies, and the New Mexico State Center for Public Utilities.

5 During my career, I have spoken before numerous consumer, industry, and  
6 national and international regulatory conferences, most recently upon the topics of  
7 renewable energy, alternative regulation, electric restructuring, and generation  
8 portfolio diversity.

9 I have also participated extensively in the negotiation and drafting of  
10 electric and gas legislation in several states and at the federal level. I have  
11 previously testified before the Iowa Utilities Board, Illinois Commerce  
12 Commission and in the courts of Iowa and Illinois.

13 **Summary of Testimony**

14 **Q. What is the purpose of your direct testimony in this proceeding?**

15 **A.** The purpose of my testimony is as follows:

- 16 • to provide evidence that the transaction will be in the public interest and to  
17 sponsor some of the commitments that are being offered to protect the  
18 interests of consumers;
- 19 • to identify the similarities between PacifiCorp and MEC;
- 20 • to discuss the experience of MEC as evidence of how a regulated utility can  
21 be expected to operate as a subsidiary of MEHC; and
- 22 • to discuss the various shareholder, state and federal approvals required for  
23 completion of the transaction.

1 **Q. Please summarize your testimony.**

2 **A. My testimony provides evidence that the transaction is in the public interest and**  
3 **will not harm the ability of PacifiCorp to provide adequate and reliable service to**  
4 **its customers in all states that it is privileged to serve. This evidence includes the**  
5 **pro-active offer by MEHC and PacifiCorp to adopt a uniform set of transaction**  
6 **commitments based upon the commitments in all states from PacifiCorp's prior**  
7 **transaction. My testimony also includes a detailed discussion of MEC's**  
8 **experience as an MEHC subsidiary and the similarities between MEC and**  
9 **PacifiCorp.**

10 **The Transaction is in the Public Interest**

11 **Q. You have said that MEHC's acquisition of PacifiCorp will be in the public**  
12 **interest and that commitments will be undertaken to ensure that customers**  
13 **are protected. What is the basis for your statement?**

14 **A. My reasoning is based upon the following:**

- 15 • As part of my testimony, MEHC and PacifiCorp will adopt a uniform set  
16 of commitments that are based upon the commitments undertaken by  
17 PacifiCorp as a part of the prior merger transaction; these uniform  
18 commitments will be extended to all six states, not just the states that  
19 requested a particular commitment in the previous PacifiCorp transaction.  
20
- 21 • Also as part of my testimony, in recognition of the differences among the  
22 states, MEHC and PacifiCorp will offer to continue several state-specific  
23 commitments undertaken by PacifiCorp in the previous transaction.  
24
- 25 • As part of MEHC witness Mr. Abel's testimony, MEHC and PacifiCorp  
26 will offer numerous new commitments involving generation options,  
27 transmission investment, clean air investment, energy efficiency, customer  
28 service and other important matters.

- 1 • PacifiCorp will become a separate business platform under MEHC, with  
2 its own business plan, its own management, its own state policies, and the  
3 responsibility for making decisions that achieve the objectives identified  
4 in the testimony of MEHC witness Mr. Abel (i.e., customer satisfaction,  
5 reliable service, employee safety, environmental stewardship, and  
6 regulatory/legislative credibility).  
7
- 8 • The many similarities between MEC and PacifiCorp will facilitate an easy  
9 transition of PacifiCorp as a separate subsidiary of MEHC.  
10
- 11 • MEC's operations, as a subsidiary of MEHC, provide demonstrable  
12 evidence that PacifiCorp will have the ability to continue its emphasis on  
13 key utility performance areas such as: customer service; safety; integrated  
14 resource planning; a balanced mix of generating resources, including  
15 renewable generation; use of energy efficiency and demand-side  
16 management ("DSM"); investment in environmental emission control  
17 technology; and collaborative processes.  
18

19 **MEHC and PacifiCorp Commitments**

20  
21 **Q. Please explain the uniform set of commitments you referenced.**

22 A. MEHC and PacifiCorp have reviewed the commitments required by the six states  
23 in the Scottish Power plc ("ScottishPower") transaction. We have also met with  
24 numerous groups that may have an interest in this transaction and asked them to  
25 identify the risks and concerns that they have at this time.

26 Exhibit No. 2 responds to the risks and concerns addressed in the previous  
27 PacifiCorp transaction and to many of the risks and concerns that have been  
28 raised in the meetings with interested groups. This Exhibit identifies MEHC's  
29 and PacifiCorp's commitments to address these risks and concerns. The new  
30 commitments sponsored by MEHC witness Mr. Abel address other concerns  
31 expressed in the meetings with interested groups. MEHC and PacifiCorp propose  
32 that the commitments in this Exhibit and those in MEHC witness Mr. Abel's  
33 Exhibit No.1, supersede prior commitments and apply upon the close of the

1 transaction.

2 Section I of Exhibit No. 2 identifies commitments that address customer  
3 service, regulatory oversight, financial integrity, revenue requirements impact, the  
4 environment, communities, employees and planning. The commitments in  
5 Section I will be applied uniformly to all six states. We are applying these  
6 commitments uniformly to simplify administration for everyone involved,  
7 including PacifiCorp, and to ensure equitable treatment of customers in all six  
8 states. The pro-active adoption of these commitments by MEHC is important  
9 evidence that there will be no harm to the public interest from the transaction.

10 Moreover, MEHC believes the uniform application of the commitments in  
11 Exhibit No. 2 to all states also provides evidence of benefits from the transaction.  
12 MEHC understands that no single state was previously provided all of these  
13 commitments. Thus, with the uniform application of these commitments in all  
14 states, each state will be receiving commitments that previously were not  
15 applicable to it. In other words, each state is receiving new benefits and  
16 protections for customers and the public.

17 While I am sponsoring all of the commitments in Exhibit No. 2, MEHC  
18 witnesses Mr. Goodman and Mr. Specketer in their testimony discuss some of the  
19 regulatory oversight, revenue requirements and the financial commitments in  
20 greater detail. The commitments that they discuss are identified in my Exhibit  
21 No. 2.

1 **Q. Where do you address the state-specific commitments by MEHC and**  
2 **PacifiCorp related to the prior transaction?**

3 A. These state-specific commitments are in Section II of Exhibit No. 2. These  
4 commitments reflect MEHC's understanding of commitments previously made by  
5 PacifiCorp that reflect unique or state-specific issues.

6 **Q. What is the purpose of the provisions in Section III of that Exhibit?**

7 A. These are administrative provisions that previously applied in one or more states.  
8 We believe these should be applied uniformly in all states to simplify  
9 administration and to ensure equitable application of the commitments in all  
10 jurisdictions.

11 **Similarities between PacifiCorp and MEC**

12 **Q. Why do you believe the similarities between PacifiCorp and MEC provide**  
13 **evidence that the proposed transaction will be in the public interest and not**  
14 **harm the interests of consumers?**

15 A. There are several reasons. First, the existence of these similarities means that  
16 MEHC has experience with the types of issues and risks that confront PacifiCorp.  
17 Second, the existence of the similarities means that MEC and PacifiCorp have  
18 experiences and advice that can be shared to enable them to better pursue the  
19 objectives of customer satisfaction, reliable service, employee safety,  
20 environmental stewardship and regulatory/legislative credibility. Third, the  
21 similarities suggest compatible corporate cultures that should facilitate  
22 PacifiCorp's transition to a business platform of MEHC. Fourth, in meetings with  
23 interested parties prior to the filing of this testimony, one of the most frequently

1 offered comments was to the effect that it was one thing to “talk the talk” but  
2 most were interested in whether PacifiCorp, under MEHC, would “walk the  
3 walk.” MEC’s operation as a business platform under MEHC provides  
4 demonstrable evidence of how that company has “walked the walk.”

5 **Q. What are some of the similarities between PacifiCorp and MEC that you**  
6 **deem significant?**

7 **A.** The most significant of the similarities are as follows:

- 8 • The utilities operate in contiguous states.
- 9 • Wholesale transactions, interconnections and positive relationships with  
10 non-jurisdictional (public power and cooperative) utilities are important to  
11 the conduct and financial health of the business.
- 12 • The presence of the non-jurisdictional utilities creates unique challenges  
13 and opportunities for transmission planning, coordination and operation.
- 14 • A demonstrable focus upon customer satisfaction is indicated by  
15 independent survey results.
- 16 • A willingness to utilize renewable energy technologies has been  
17 demonstrated where the utilization is cost-effective for customers and  
18 there is an opportunity for a fair return to shareholders.
- 19 • A willingness to make significant investments in infrastructure  
20 improvements has been demonstrated where the investments are cost-  
21 effective for customers and there is an opportunity for a fair return to  
22 shareholders.
- 23 • Investments in DSM and energy efficiency programs are made to the full  
24 extent determined to be cost-effective by applicable state standards.
- 25 • Collaborative processes are employed to develop environmental, DSM  
26 and energy efficiency programs.
- 27 • Low-sulfur, Western-basin coals are the only coals used for generation  
28 and provide more than 80% of the energy serving bundled retail  
29 customers.
- 30 • Coal shipping options are the Burlington Northern and Union Pacific  
31 railroads.
- 32 • The delivered cost of coal is among the lowest in the United States.
- 33 • Wind, natural gas and hydro are included in the regulated generation  
34 portfolio, with the percentage of wind capacity projected to comprise a  
35 significant portion of the portfolio by 2010, if cost-effective.
- 36 • There is a demonstrable commitment to employee safety.
- 37 • There is a need to plan for and deal with adverse weather conditions  
38 impacting the reliability of the delivery systems to the extent economical

- 1 and practicable; such conditions include ice, floods, tornados, storms and  
2 snow.
- 3 • Regulated delivery and electric supply services are provided in multiple  
4 state jurisdictions, with at least one state having competitive retail electric  
5 supply access.
  - 6 • The economy of the service area is significantly tied to the land  
7 (agriculture, forestry, and mining).
  - 8 • On the whole, the area served has a comparatively low-density population  
9 except for a few major population centers.

10

11 The maps attached to Exhibit No. 3 provide some additional information

12 regarding the similarities.

### MidAmerican Energy Company

13 **Q. Please provide some historical background on MEC.**

14 A. MEC and its predecessor corporations (e.g., Iowa Power Inc., Iowa-Illinois Gas  
15 and Electric Company, Iowa Public Service Company and their respective  
16 predecessors) have been providing electric service in Iowa, Illinois and South  
17 Dakota for approximately 100 years. MEC is the product of a merger between  
18 Midwest Power Systems Inc. and Iowa-Illinois Gas and Electric Company in  
19 1995. Midwest Power Systems Inc., in turn, was the result of a prior merger  
20 between Iowa Power Inc. and Iowa Public Service Company<sup>1</sup> in 1992. In 1999,  
21 MEC was acquired by CalEnergy Company Inc. (subsequently known as  
22 “MidAmerican Energy Holdings Company” or “MEHC”), and in 2000, MEHC  
23 and an investor group comprised of Berkshire Hathaway Inc, Walter Scott, Jr. (a  
24 director of MEHC), David Sokol (Chairman and Chief Executive Officer of  
25 MEHC), and

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<sup>1</sup> The utilities' parent holding companies (non-registered, exempt holding companies), Iowa Resources Inc. and Midwest Energy Company, were previously merged in 1990 creating a new holding company (also a non-registered, exempt holding company) called Midwest Resources Inc.

1 Greg Abel (President and Chief Operating Officer of MEHC), closed on a  
2 definitive agreement and plan of merger whereby the investor group, together  
3 with certain of Mr. Scott's family members and family trusts and corporations,  
4 acquired all of the outstanding common stock of MEHC.

5 **Q. Where and how does MEC provide electric service?**

6 A. MEC provides electric service in Iowa, Illinois and South Dakota, and is the  
7 largest utility in Iowa. It provides service to more than 690,000 electric  
8 customers and more than 670,000 natural gas customers in a 10,600 square-mile  
9 area from Sioux Falls, South Dakota to the Quad Cities area of Iowa and Illinois.  
10 The largest communities served by MidAmerican are Des Moines, Cedar Rapids,  
11 Sioux City, Waterloo, Iowa City and Council Bluffs, Iowa; the Quad Cities area  
12 of Iowa and Illinois; and Sioux Falls, South Dakota. I have provided a map of the  
13 areas served by MEC in my Exhibit No. 3.

14 After MEC's 360.5 MW wind project is completed in 2005, and its 790  
15 MW Council Bluffs Energy Center Unit No. 4 is also completed in 2007, the  
16 company will meet the needs of its electric customers with more than 6,100  
17 megawatts of generating capability: approximately 59 percent fueled by coal; 26  
18 percent by natural gas and oil; 8 percent by wind, hydroelectric and biomass; and  
19 7 percent by nuclear. MEC has majority ownership in four of the five jointly-  
20 owned coal-fueled generating stations in Iowa, and a forty percent ownership in  
21 the fifth. Exhibit No. 4 shows the locations of MEC's base-load generating  
22 facilities. In Exhibit No. 5), I have provided some basic facts and figures related  
23 to MEC's performance.

1 **Customer Service**

2 **Q. Would it be reasonable for the Commission to expect no diminution in**  
3 **PacifiCorp's performance in the area of customer service as a consequence of**  
4 **the transaction?**

5 A. Based on MEC's experience, the transaction will not diminish PacifiCorp's  
6 performance in this area. MEC has a strong track record of success in satisfying  
7 its customers. In both 2004 and 2005, MEC's electric business customers ranked  
8 MEC first in the Midwest for overall customer satisfaction, according to the J.D.  
9 Power and Associates study. In 2004, the J. D. Power and Associates residential  
10 electric study results placed MEC in a tie for first place in the Midwest on overall  
11 customer satisfaction, and the residential gas study placed MEC in a tie for second  
12 place in the Midwest on overall customer satisfaction.

13 The following performance factors were included in the respective  
14 customer satisfaction studies: Communications with Customers (Business Study);  
15 Power Quality and Reliability (Business and Residential Studies); Billing and  
16 Payment (Business and Residential Studies); Customer Service (Business and  
17 Residential Studies); Company Image (Business and Residential Studies); Price  
18 (Business Study); and Price and Value (Residential Study).

19 **Q. Please describe MEC's relationship with its major customer stakeholders.**

20 A. Our largest 800 customers are assigned energy consultants who are capable of  
21 assisting customers with unique needs such as energy efficiency, power quality,  
22 gas transportation and metering. MEC's interruptible credit program, which  
23 offers customers an opportunity to achieve price reductions, has been popular

1 among larger customers, with 197 MW of load control currently enrolled. MEC  
2 also works constructively with its largest customers to ensure the rates they pay  
3 are based on their costs of service and appropriately reflect any benefits that the  
4 customers bring to the retail system (e.g., interruptibility, co-generation). In  
5 2004, our large commercial and industrial customers rated us second in the nation  
6 on overall customer satisfaction in the TQS Research Inc. study.

### 7 **Energy Efficiency and DSM**

8 **Q. Please discuss MEC's experience with energy efficiency programs and DSM**  
9 **programs.**

10 A. MEC and its predecessors have offered cost-effective, energy efficiency and DSM  
11 programs in Iowa for more than fifteen (15) years. MEC is represented on the  
12 boards of the Consortium for Energy Efficiency and the Peak Load Management  
13 Alliance and is a member of the Midwest Energy Efficiency Alliance. Similar to  
14 PacifiCorp, MEC has received numerous state and federal awards for its  
15 programs. MEC estimates that customer demand has been reduced by some 220  
16 MW through DSM programs and some 180 MW from energy efficiency  
17 programs. Further, customer annual energy requirements have been reduced by  
18 some 500,000 MWh as a result of the DSM and energy efficiency programs.  
19 These impacts are taken into account in MEC's resource planning analyses.

20 **Q. Does MEC have state approved energy efficiency plans?**

21 A. Yes. MEC's plans are reviewed and approved by Iowa regulators, usually every  
22 three to five years. Through the review and approval process, the Iowa regulators  
23 determine which programs proposed by MEC meet the tests for cost-

1 effectiveness, as discussed below. MEC's actual plan expenditures have  
2 exceeded budget for several years due to the success of and demand for the  
3 programs. For example, in 2004 MEC's actual plan expenditures compared to  
4 budgeted plan expenditures were \$35.1 million (actual) and \$31.3 million  
5 (budgeted), respectively. In 2003, MEC's actual versus budgeted expenditures  
6 were \$31.2 million versus \$20.1 million, respectively. A comparison, on a  
7 program-by-program basis, for these same years is provided in my Exhibit No. 6.

8 MEC utilizes a collaborative process to determine which energy efficiency  
9 and DSM programs it will offer for consideration by regulators. The company's  
10 most recent collaborative process involved roughly a dozen different parties. In  
11 order to be included in MEC's plan, programs must pass a feasibility screening  
12 process that incorporates a societal test. The societal test is an economic test that  
13 compares the present value of the costs and the benefits over the useful life of an  
14 energy efficiency program or DSM program from a societal perspective.

15 Exceptions to the requirement to pass the cost-benefit tests are provided by rule  
16 for low-income and tree-planting programs. MEC's plans have included all  
17 programs that were identified as feasible and cost effective.

18 **Q. You mentioned MEC's Iowa programs. What about Illinois and South**  
19 **Dakota?**

20 **A.** These states previously have not been as interested as Iowa in energy efficiency  
21 and DSM programs being offered by regulated utilities. However, that may  
22 change in Illinois as regulators, at the Governor's request, are considering  
23 whether to allow such programs. MEC is an active participant in the Illinois

1 process and is encouraging the state to allow it to extend its Iowa programs to  
2 Illinois consumers.

3 **Environmental Actions**

4 **Q. What has been the experience of MEHC and MEC regarding environmental**  
5 **stewardship?**

6 A. MEHC is committed to responsible stewardship of the environment and, in 2000,  
7 adopted a policy of “Environmental RESPECT” that guides its corporate  
8 commitment to the environment. MEHC is a world leader in geothermal energy  
9 development and believes that good environmental management is a good  
10 business practice. Once again this is revealed in MEC’s performance.

11 **Q. Does MEC have a plan to address future air emission reduction**  
12 **requirements?**

13 A. Yes. MEC in 2001 helped the state of Iowa develop and adopt an energy and  
14 environmental policy reflected in House File 577. Pursuant to that law, regulated  
15 utilities such as MEC develop, through a collaborative process, a multi-year plan  
16 and budget for managing regulated emissions from their coal-fueled facilities in a  
17 cost-effective manner. Mandatory participants in the review and approval process  
18 for that plan and budget are the Iowa Utilities Board, the Iowa Office of  
19 Consumer Advocate and the Iowa Department of Natural Resources. To be  
20 approved, the plan and budget must: (1) meet applicable state environmental  
21 requirements; (2) be expected to achieve cost-effective compliance with  
22 applicable state environmental requirements and federal ambient air quality  
23 standards; and (3) reasonably balance costs, environmental requirements,

1 economic development potential, and reliability of the electric generation and  
2 transmission systems. The state agencies concerned with environmental matters  
3 and utility rates are involved in the collaborative process with the result that the  
4 reasonableness and prudence of the environmental plan is determined prior to its  
5 implementation.

6 **Q. Does MEC have an approved environmental plan?**

7 A. Yes. MEC filed its first multi-year environmental plan and budget with the Iowa  
8 Utilities Board and the Iowa Department of Natural Resources in April 2002.  
9 That plan addressed MEC's projected air emission reductions considering  
10 legislative and regulatory proposals at the time, and described a coordinated long-  
11 range plan to achieve those air emissions reductions. The plan proposed specific  
12 actions to be taken at each MEC coal-fueled facility and related costs and timing  
13 for each action through the year 2010. The Iowa Utilities Board approved the  
14 plan on July 17, 2003, covering the period April 1, 2002 to April 1, 2004, and  
15 adopted a process to review the plan every two years. MEC filed its most recent  
16 plan on April 1, 2004, and that plan was approved by the Iowa Utilities Board on  
17 October 4, 2004. This plan covers the period from April 1, 2004 through  
18 December 31, 2006.

19 **Q. Did the plan approved by the Iowa Utilities Board include the addition of**  
20 **emissions controls?**

21 A. Yes. MEC's approved initial plan (2002 – 2004) called for installing six neural  
22 networks at Council Bluffs Energy Center Unit No. 3, George Neal Energy Center  
23 Unit Nos. 1-4, and Riverside Generating Station Unit No. 5 during the period

1 ending March 31, 2004. All six neural networks were installed during the 2002-  
2 2004 plan period. The current approved plan (2004-2006) continues the addition  
3 of NO<sub>x</sub> controls with the installation of low NO<sub>x</sub> burners and overfire air at  
4 Council Bluffs Energy Center Unit Nos. 1-3, George Neal Energy Center Unit  
5 Nos. 1-4, and Louisa Generating Station. Low NO<sub>x</sub> burners have been installed  
6 so far at the Neal 3 and Louisa units, with work continuing on the remaining units  
7 through 2007.

8 **Q. Was MEC required to make these reductions in NO<sub>x</sub> emissions?**

9 A. No. MEC has voluntarily moved forward to reduce the NO<sub>x</sub> emissions from its  
10 facilities. Doing so voluntarily, in advance of required reductions, affords MEC  
11 the advantages of (1) being able to appropriately plan the installation of  
12 equipment during the respective units' normal outage time and duration; (2)  
13 achieving cost savings by aggregating the projects into a single contract to take  
14 advantage of volume discounts; and (3) achieving NO<sub>x</sub> reductions earlier,  
15 allowing impacted states to begin realizing benefits sooner than a just-in-time  
16 installation would provide.

17 **Q. Will these voluntary NO<sub>x</sub> reductions make a significant difference in the**  
18 **MEC NO<sub>x</sub> emissions?**

19 A. Yes. Prior to this voluntary initiative, the MEC coal-fueled facilities had an  
20 average rate of NO<sub>x</sub> emissions of 0.41 lbs/mmbtu. By the latter part of 2007,  
21 with the completion of the low NO<sub>x</sub> burner installations, MEC is projected to be  
22 at an average NO<sub>x</sub> emissions rate from the coal-fired facilities of 0.21 lbs/mmbtu.  
23 This is a 49 percent reduction in NO<sub>x</sub> emissions that will benefit all impacted

1 states.

2 **Q. In addition to the NO<sub>x</sub> controls, do you anticipate any near-term reductions**  
3 **in SO<sub>2</sub> and mercury?**

4 A. Yes. MEC has analyzed the Clean Air Interstate and Clean Air Mercury rules as  
5 promulgated by EPA, and MEC will seek approval in July 2005 for an  
6 environmental plan that includes the installation of a scrubber and baghouse at  
7 Louisa Generating Station. In addition, in 2003 MEC was the first company to  
8 commit to the installation of an activated carbon injection system for the control  
9 of emissions at the new Council Bluffs Energy Center Unit No. 4, which is  
10 scheduled to come on-line in June 2007.

11 **Q. Do you anticipate seeking approval for additional emission controls as a part**  
12 **of the environmental plan process?**

13 A. Yes. Although compliance with the reduction requirements can be achieved by  
14 installing controls or meeting the emission reduction obligations by obtaining  
15 sufficient allowances to cover the annual emissions or some combination of the  
16 two compliance mechanisms, I anticipate that MEC as a part of the environmental  
17 planning process will seek approval for significant investments in controls  
18 between now and 2018.

19 **Q. Is equivalent environmental planning required of MEC in other states where**  
20 **it provides service?**

21 A. There are no equivalent requirements in MEC's other states, but all impacted  
22 states benefit from MEC's Iowa-approved environmental activities.

1 **Renewable Generation**

2 **Q. How do you expect the transaction to affect PacifiCorp's commitment to**  
3 **renewable generation resources?**

4 A. I expect that PacifiCorp's commitment in this area will be undiminished and  
5 perhaps even strengthened by MEC's experience with owning and operating wind  
6 energy facilities and MEHC's experience owning and operating geothermal  
7 facilities. MEHC and MEC are leaders in the ownership of renewable resources,  
8 particularly geothermal (MEHC) and wind in a regulated portfolio (MEC).

9 **Q. How much geothermal generation does MEHC own?**

10 A. Worldwide, MEHC has 14 geothermal facilities in California and the Philippines.  
11 It also owns and operates an innovative hydro-electric and irrigation project in the  
12 Philippines and is evaluating the development of one of the largest geothermal  
13 projects (215 MW) in the world in California.

14 **Q. What is MEC's experience with wind and renewable resources?**

15 A. MEC is in the midst of constructing a 360.5 MW wind project, one of the largest  
16 land-based wind projects in the world. This project was undertaken without a  
17 state mandate. The project will occupy two sites in Iowa to obtain wind resource  
18 diversity. In 2004, MEC placed 160.5 MW of the project into service, and  
19 another 200 MW will be placed into service by the end of 2005. The sites were  
20 developed in coordination with two developers, enXco, Inc. and Clipper  
21 Windpower Development Company, Inc. MEC owns and operates the project as  
22 part of its regulated portfolio. The all-in cost of the wind energy, with the federal  
23 production tax credit, is projected to be about three (3) cents per kWh over the life

1 of the facilities.

2 In addition, MEC purchases or owns another 127.6 MW of capacity from  
3 renewable energy sources, including: wind (112.5 MW purchased capacity),  
4 hydro (3.6 MW of owned capacity), and biomass (11.5 MW of purchased  
5 capacity). MEC and another utility are also owners of Ottumwa Generating  
6 Station where supplementing Powder River Basin coal with switch grass is being  
7 tested.

8 Once MEC's wind farm construction is completed, and after completion  
9 of its new Council Bluffs Energy Center Unit No. 4, renewable energy in MEC's  
10 generation portfolio will equal approximately 8 percent of nameplate capacity and  
11 5 percent of energy production, assuming a 34 percent annual average capacity  
12 factor at the MEC-owned wind project.

13 **Resource Selection**

14 **Q. Based on MEC's experience, how can the transaction be expected to affect**  
15 **PacifiCorp's resource planning process?**

16 A. MEHC expects its energy business platforms to follow the planning method  
17 preferred in the states where it operates. Obviously, there are limitations to such  
18 an approach. For instance, if the preferred resource planning methods, state-to-  
19 state, become so incompatible as to make efficient resource planning infeasible,  
20 some effort would need to be undertaken to harmonize the various methodologies.

21 I have some familiarity with PacifiCorp's resource planning process, and I  
22 am aware that it has received acclaim for its level of stakeholder input.  
23 PacifiCorp's process is recognized as a good, sound approach to resource

1 planning. MEHC supports PacifiCorp's continued use of this process for its state  
2 jurisdictions.

3 **Q. Do MEHC and MEC prefer one variety of generation resource above others?**

4 A. No. In recent years, MEHC business platforms have invested in a broad range of  
5 generation technologies, including coal, gas, geothermal and wind. As explained  
6 below, MEC is completing its investments in gas combined-cycle generation,  
7 super-critical western-coal-fired generation and wind generation, all pursuant to a  
8 state policy encouraging a diverse portfolio of generation. MEC also utilizes the  
9 wholesale market when prudent and cost-effective, as demonstrated by its multi-  
10 year power purchase agreements (e.g., a 250 MW purchase from the Nebraska  
11 Public Power District).

12 **Q. Does MEC utilize integrated resource planning?**

13 A. Yes, in Iowa. As I have testified, energy efficiency and DSM programs are  
14 reviewed and approved by the Iowa Utilities Board. All programs determined to  
15 be cost-effective must be implemented before supply options are considered. The  
16 supply options are reviewed in separate siting and rate-making principles  
17 proceedings before commencement of construction. Integrated planning occurs in  
18 the sense that supply options are only considered after taking into account the  
19 effects of the utility's energy efficiency and DSM programs. I recognize,  
20 however, that there are varying degrees of integration used in different  
21 jurisdictions within the United States, and the meaning of "integrated resource  
22 planning" may vary significantly.

1 **Generation and Transmission Operations**

2 **Q. Please provide some insight into MEHC's philosophy regarding operation of**  
3 **a utility's generation facilities.**

4 A. Again, I will point to our experience at MEC. MEC has decades of experience  
5 operating traditional generation facilities and owning such facilities jointly with  
6 other utilities, including investor-owned, municipal and cooperative utilities.  
7 Refer for example to Exhibit No. 7. MEC has some of the lowest cost coal-fueled  
8 plants in the nation. *Power* magazine, a publication for the electric generation  
9 industry, recently named MEC's Iowa-based electric plants among the best in the  
10 nation. *Power* annually ranks the country's top plants, and MEC had four among  
11 the top 22 coal-fueled plants in the category of lowest-cost producers.

12 MEC's experience in cooperative relationships with other utilities, public  
13 and private, and in the safe and efficient operation of base-load generating plants  
14 matches well with that of PacifiCorp. Again, our MEC experience attests to the  
15 fact that MEHC's ownership of PacifiCorp will result in a continuation of the  
16 good practices for which PacifiCorp is known.

17 **Q. Has MEC invested in nuclear generation?**

18 A. By virtue of a predecessor corporation's investment, MEC has a 25 percent  
19 ownership interest in both units at Quad Cities Nuclear Power Station, for a total  
20 of 437 MW of accredited capacity. The units are operated by the owner of the  
21 remaining 75 percent of the units, Exelon Generation Company, LLC ("Exelon").  
22 In 2004, Exelon obtained license renewals from the Nuclear Regulatory  
23 Commission, permitting operation of both Quad Cities units through December

1 14, 2032. These two units represent MEC's only ownership interest in nuclear  
2 generation.

3 **Q. Will PacifiCorp be exposed to any additional risk as a consequence of MEC's**  
4 **ownership of nuclear facilities and nuclear decommissioning obligation?**

5 A. No. MEC is ring-fenced. PacifiCorp will be ring-fenced as well.

6 **Q. PacifiCorp will need to construct transmission infrastructure as well as**  
7 **generation infrastructure. What does MEHC's track record suggest with**  
8 **respect to such endeavors?**

9 A. MEHC has recent experience with the construction of transmission facilities  
10 through its MEC operations. This experience demonstrates a commitment to  
11 working well with regulators and the public in siting and locating vital  
12 transmission assets. I believe this to be consistent with PacifiCorp's approach.

13 **Q. Please relate MEC's recent experience with transmission.**

14 A. MEC has decades of experience operating its transmission system. Again, MEC  
15 jointly owns many such facilities with other utilities, both investor-owned and  
16 publicly-owned. Most recently, MEC obtained franchise authority in December  
17 2004 to construct a 122-mile, 345 kV transmission line to integrate its new  
18 Council Bluffs Energy Center Unit No. 4 with the grid. The new generating plant  
19 will be in service in 2007; the transmission line is due to be in service in 2006.  
20 The capital investment in the interconnection facilities and the system additions  
21 totals approximately \$170 million. The new line itself represents approximately  
22 \$128 million of investment. MEC was required to use eminent domain authority  
23 with respect to only one landowner, having reached voluntary accommodations

1 for over 430 easements required along the 122-mile route.

## 2 **Regional Transmission Memberships**

3 **Q. The Federal Energy Regulatory Commission continues to promote oversight**  
4 **of utility transmission by an independent entity. What has MEHC's**  
5 **approach been with respect to this subject?**

6 A. MEHC's approach has been similar to that of PacifiCorp, in that both companies'  
7 efforts have focused upon trying to design solutions that accommodate private  
8 and public utilities while balancing costs and benefits.

9 **Q. What has been MEC's experience?**

10 A. MEC's approach has been one of caution. MEC has determined that existing  
11 RTO membership options (e.g., MISO and PJM) have not been in the best  
12 interests of its customers due to the costs of such membership and the penalties  
13 for ending membership. Given the existence of numerous publicly-owned  
14 utilities in Iowa and states to the north and west of Iowa, MEC is particularly  
15 concerned that unless those entities are also participants, the potential benefits  
16 will be limited.

17 MEC previously sought to address this concern by joining the effort to  
18 create TRANSLink, an independent transmission company that would encompass  
19 both investor-owned and publicly-owned entities. Although the TRANSLink  
20 proposal addressed many of the difficult issues surrounding regional operation  
21 and pricing of transmission, the Minnesota Public Service Commission and the  
22 Iowa Utilities Board in 2003 expressed concerns regarding costs and benefits.  
23 The proposal was subsequently tabled. Since that time, MEC has continued to

1 monitor potential costs and benefits of other alternatives. I will outline the current  
2 alternative that MEC is pursuing in my testimony regarding regulatory approvals  
3 for this transaction.

4 **Regulatory Experience**

5 **Q. Based on MEC's experience, what will MEHC ownership mean for**  
6 **PacifiCorp's regulatory relationships?**

7 A. As reflected in MEC's relationships, MEHC seeks positive, constructive working  
8 relationships with the regulators who monitor its utility operations. MEHC will  
9 be committed to the same kind of relationships with PacifiCorp's regulators.

10 **Q. How is MEC's relationship with its state regulators?**

11 A. MEC understands the role of the public utility commission and has decades of  
12 successful experience working within the regulatory framework. MEC takes  
13 seriously the need to maintain its regulatory credibility. For example, in Iowa, the  
14 company has worked very cooperatively and successfully within the regulatory  
15 process. Through settlements in the previous five years, MEC has sited and  
16 received rate-making principles orders in advance of construction for roughly \$2  
17 billion in energy infrastructure and environmental investment.

18 **Q. What is MEC's experience with regulatory treatment of affiliates?**

19 A. In Iowa, MEC makes an annual filing that reflects its affiliate transactions in the  
20 prior year. This filing includes a copy of the written agreements that govern its  
21 affiliate transactions. In Illinois, MEC is required to obtain prior approval of  
22 affiliate transactions unless they fall within the "ordinary course of business" or  
23 other enumerated exemptions. For several years, MEC has had an Intercompany

1 Administrative Services Agreement (“IASA”) that governs the provision of  
2 routine services between MEC and its affiliates. This IASA has been reviewed  
3 and approved by Iowa and Illinois regulators. MEHC witness Specketer provides  
4 a copy of the IASA with his testimony and explains its operation.

5 On the whole, our experience with affiliate transactions has been  
6 uncomplicated. I would note, however, that we have a pending proceeding in  
7 Illinois wherein the Illinois Commerce Commission staff examined MEHC’s  
8 transfer of two new gas turbines to MEC in 2001 for the Greater Des Moines  
9 Energy Center (“GDMEC”). MEC did not seek prior approval of the transaction  
10 because MEC believed the law and regulations exempted the transaction from the  
11 need for approval. A hearing examiner for the Illinois Commerce Commission  
12 determined the exemption was not available. In an effort to resolve the matter  
13 without further litigation, MEC has proposed to Iowa and Illinois regulators that  
14 the portion of GDMEC that would have been allocated to Illinois be allocated to  
15 Iowa. The Iowa Office of Consumer Advocate supports this approach, and this  
16 resolution is proceeding through the regulatory process.

17 **Operations in States with Retail Access**

18 **Q. PacifiCorp’s service territory includes both a state that operates on a model**  
19 **of competitive electric supply (“retail access”) and states that operate on a**  
20 **model of traditional regulated electric service. Based on MEC’s experience,**  
21 **how will the transaction affect PacifiCorp’s view of this kind of mixed service**  
22 **area?**

23 **A. Based on MEC’s experience, the transaction should have no impact in that regard**

1 since MEC also has experience serving in states with and without retail access.  
2 MEHC and MEC support the right of a state to determine whether or not to  
3 implement retail access.

4 Illinois has offered electric retail choice since 1999, following enactment  
5 of a law in 1997. Thus, MEC operates in two states (Iowa and South Dakota) that  
6 do not have electric retail access and one state (Illinois) that does. This makes  
7 MEC's experience similar to PacifiCorp's in that both utilities need to be able to  
8 conduct their utility businesses in states with varying positions regarding retail  
9 choice.

10 **Q. Has MEC been supportive of retail access for electric customers?**

11 **A.** MEC has been supportive of retail access in Illinois and participated in drafting  
12 the 1997 restructuring legislation in that state. Since the law's passage, MEC has  
13 supported several implementation measures designed to promote effective  
14 competition in Illinois.

15 In Iowa, MEC took a leadership role in advancing retail access legislation,  
16 but Iowa elected not to pursue retail access. MEC's response was to work with  
17 Iowa's Governor, lawmakers, regulators and consumers to develop an energy and  
18 environmental policy for the state, using the regulatory model Iowa prefers.  
19 Again, MEHC expects its energy business platforms to operate on either model,  
20 regulated or competitive, depending on the state's preference.

1 **Serving Communities**

2 **Q. What will MEHC's ownership of PacifiCorp mean for the communities that**  
3 **PacifiCorp serves?**

4 A. Based on MEC's experience, they can expect a continued focus on good service  
5 and good corporate citizenship.

6 **Q. What efforts does MEC's undertake in the area of community leadership?**

7 A. A key effort is MEC's Community Contact Program, which relies on the  
8 volunteer efforts of some 170 MEC employees who represent MEC in  
9 approximately 225 communities in Iowa, Illinois and South Dakota. These  
10 employees advise MEC of community needs and represent MEC in the  
11 community. Each of the 170 employees has a small discretionary budget from  
12 which grants are awarded in their communities. In addition, these employees  
13 participate in community meetings (e.g., city council) and relay community needs  
14 that MEC may be able to satisfy (e.g., moving poles, digging holes, providing in-  
15 kind contributions to volunteer fire departments, sponsoring floats in community  
16 parades, sponsoring local events, etc.). These 170 employees also provide MEC  
17 support for community activities such as local environmental clean-up efforts and  
18 tree planting projects on Earth Day and Arbor Day. They also serve as channels  
19 for communicating any community complaints about MEC's quality of service.  
20 As a result, the city councils in these 225 communities know who to contact  
21 regarding concerns with MEC.

22 MEC is also actively engaged in the annual United Way campaigns of the  
23 twenty communities it serves that have such campaigns. MEC actively

1 encourages its employees to contribute to such campaigns and matches employee  
2 contributions dollar for dollar, up to a maximum value of \$436,000. MEC also  
3 promotes employee involvement in local Rotary, Chamber, Kiwanis and  
4 economic development organizations.

5 In addition to MEHC's corporate gift-matching program, MEHC  
6 shareholders fund an innovative program called Global Days of Service. This  
7 program encourages employees to volunteer time for charitable and educational  
8 organizations through a shareholder contribution to the organizations based upon  
9 employee hours volunteered. Employees simply keep track of the number of  
10 hours spent in volunteer work for charitable groups [501(c)(3) IRS designation]  
11 and for educational institutions worldwide. Employees submit a form listing the  
12 number of hours (over eight) they have volunteered. At the end of the program  
13 year, the shareholder contribution amount is divided among qualifying  
14 organizations based upon the volunteer hours worked.

15 **Q. Does MEC support economic development in the communities it serves?**

16 **A. Yes. Refer to the letters in Exhibit No. 7 for examples of confirmation.**

17 **Delivery of Transaction Benefits**

18 **Q. Please describe how you envision the delivery of the benefits of the**  
19 **transaction to PacifiCorp customers.**

20 **A. MEHC expects the benefits of the transaction to be delivered to all customers in**  
21 **all jurisdictions via rate case proceedings and using PacifiCorp's recently**  
22 **established multi-state allocation protocol when appropriate.**

1 **Q. What impact would the transaction have on the degree of regulatory**  
2 **oversight this Commission has over PacifiCorp?**

3 A. It would have no impact. The Commission will continue to exercise the same  
4 degree of regulatory oversight over PacifiCorp as it does today.

5 **Q. Will MEHC offer rate credits, rate reductions or rate freezes as a part of the**  
6 **benefits of the proposed transaction?**

7 A. No. We believe the demonstrable benefits of the transaction discussed in the  
8 testimonies should be more than sufficient to satisfy the standards for the  
9 acquisition.

10 Moreover, rate credits are simply a proxy for capturing the costs and  
11 benefits of a transaction between rate proceedings. In the case of PacifiCorp,  
12 such a proxy is unnecessary given the planned rate proceedings. These rate  
13 proceedings will incorporate new investment into rate base and any cost  
14 reductions in cost-of-service.

15 Finally, PacifiCorp is currently failing to earn its allowed return.  
16 Providing rate credits, reductions or freezes under such conditions would simply  
17 worsen PacifiCorp's financial performance. This could precipitate ratings  
18 downgrades and higher financing costs. Going forward, as PacifiCorp strengthens  
19 the infrastructure, investment and rate treatment of that investment must be  
20 implemented in a manner that is fair to customers, employees and shareholders.

21 **Q. What impact will the commitments made by MEHC and PacifiCorp have**  
22 **upon the rate increases projected by PacifiCorp?**

23 A. We do not expect that the commitments that we are offering will cause an

1 increase in the percentage discussed in PacifiCorp witness Johansen's testimony.  
2 Please also note the commitment, Revenue Requirements Impacts B, of Exhibit  
3 No. 2.

4 **Review and Approval of the Transaction**

5 **Q. Please describe the various reviews and/or approvals of the transaction that**  
6 **MEHC anticipates.**

7 A. Following are the shareholder and regulatory reviews anticipated with respect to  
8 the proposed transaction:

- 9 • approval of the shareholders of ScottishPower;
- 10 • approval and/or waiver from the public utility commissions in the states of  
11 California, Idaho, Oregon, Utah, Washington, and Wyoming;
- 12 • approval of the transfer of the Trojan spent fuel storage license by the U.S.  
13 Nuclear Regulatory Commission;
- 14 • approval of the transfer of jurisdictional facilities by the Federal Energy  
15 Regulatory Commission ("FERC") under Section 203 of the Federal  
16 Power Act;
- 17 • approval by FERC of revisions to the open access transmission tariffs of  
18 PacifiCorp and MEC under Section 205 of the Federal Power Act;

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- review of the proposed transaction by the U.S. Department of Justice under the Hart-Scott-Rodino Act; and
- approval by the Federal Communications Commission of the change of control with respect to certain communication licenses held by PacifiCorp.

**Market Monitor and Transmission Services Coordinator**

**Q. Please describe the Market Monitor Proposal that MEHC has put forward in connection with its proposed acquisition of PacifiCorp.**

A. Under the proposal, MEC and PacifiCorp would each contract with a market monitor to assure nondiscrimination in the management of each company's transmission systems commencing on the day of the closing of the acquisition. A market monitor is an independent organization retained to review, on an after-the-fact basis, transmission system operations necessary to ensure the transmission provider does not favor its wholesale merchant function or any energy affiliate. The market monitor would review and report to the FERC on such matters as the utility's performance of the following transmission functions:

- generation dispatch and potential impacts on constrained facilities,
- actions to relieve constrained facilities,
- derating of transmission facilities, and
- ratings and other data used for total transfer capability calculations.

1 **Q. What are the expected costs to PacifiCorp of the market monitor?**

2 A. Bids for the market monitor services have not yet been solicited. However, we  
3 estimate that the on-going costs to PacifiCorp will be about \$200,000 annually.

4 **Q. Does the market monitor proposal impact the development of Grid West?**

5 A. No. The efforts are complementary. For example, it is possible that some market  
6 monitor services may be provided as an early service by Grid West. When Grid  
7 West is fully operational it should obviate the need for a market monitor for  
8 PacifiCorp, since Grid West would be providing non-discriminatory transmission  
9 services to multiple parties including PacifiCorp.

10 **Q. Will Grid West also serve MEC?**

11 A. No, at least not for the foreseeable future. Subject to regulatory approval, MEC is  
12 planning to enter into a contract with an outsource provider of transmission  
13 services to be known as the transmission service coordinator ("TSC"). The TSC  
14 initially will administer or oversee only MEC's transmission assets. However,  
15 MEC is working with other utilities located to its west that currently are not part  
16 of any regional transmission organization to consider having them also use the  
17 TSC. Ultimately, the TSC may provide transmission services to an area abutting  
18 that of Grid West. At such time, it may be appropriate to put into place a seams  
19 agreement between the TSC and Grid West to enhance transmission system  
20 coordination among transmission users in the states served by PacifiCorp and  
21 MEC.

1 **Proposed Schedule**

2 **Q. When does MEHC expect to complete the process of obtaining all of the**  
3 **foregoing approvals and reviews?**

4 A. We very much want to complete all of the state approvals by February 28, 2006,  
5 in time to close on the transaction on or before March 31, 2006. This is an  
6 important transaction for PacifiCorp customers, employees and communities. In  
7 order to mitigate the ill effects of uncertainty and expedite the delivery of  
8 important benefits, we respectfully request that the Commission act in a manner  
9 that will facilitate an order by February 28, 2006.

10 Closing on that date will also facilitate the transition of PacifiCorp's  
11 financial reporting from a fiscal year ending March 31 as used by Scottish Power  
12 to a calendar fiscal year consistent with how MEHC companies report their  
13 financial statements. Such calendar year reporting is also consistent with  
14 regulatory reporting, which should enable regulators to utilize a single year's  
15 audited financial statements rather than have regulatory reporting span two fiscal  
16 years.

17  
18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.

1 provider does not favor its wholesale merchant function or any energy affiliate.

2 The market monitor would review and report to the FERC on such matters as the  
3 utility's performance of the following transmission functions:

- 4 • generation dispatch and potential impacts on constrained facilities,
- 5 • actions to relieve constrained facilities,
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18 financial statements. Such calendar year reporting is also consistent with  
19 regulatory reporting, which should enable regulators to utilize a single year's  
20 audited financial statements rather than have regulatory reporting span two fiscal  
21 years.

22 In connection with this request, I would note that the SEC has told us that  
23 it will not act in advance of approvals from the respective state public utility

1           commissions. The SEC's policy in this respect is founded on their desire to avoid  
2           pressuring the states to act in a particular manner, to avoid rendering decisions on  
3           theoretical transactions, and to avoid impacting share prices and value by having  
4           an extended period between its approval and closing. Thus, I would respectfully  
5           ask the Commission not to delay its ruling on the acquisition in the hope that the  
6           SEC will rule first.

7   **Q.   Does this conclude your testimony?**

8   **A.   Yes, it does.**

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IDAHO PUBLIC  
UTILITIES COMMISSION

Case No. PAC-E-05-08  
Exhibit No. 2  
Witness: Brent E. Gale

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

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**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**MEHC Adoption of Prior Commitments**

July 2005

## **MEHC Adoption of ScottishPower's Prior Commitments**

### **I. Commitments Applicable to All Jurisdictions**

#### **Customer Service**

- A. MEHC and PacifiCorp affirm the continuation of the existing customer service guarantees and performance standards in each jurisdiction through 2009.
- B. Penalties for noncompliance with performance standards and customer guarantees shall be paid as designated by the Commission and shall be excluded from results of operations. PacifiCorp will abide by the Commission's decision regarding payments.

#### **Regulatory Oversight**

- A. PacifiCorp will maintain its own accounting system, separate from MEHC's accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon, and will continue to be available to the Commission, upon request, at PacifiCorp's offices in Portland, Oregon, Salt Lake City, Utah, and elsewhere in accordance with current practice. (Witness Goodman)
- B. 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. (Witness Goodman)
- C. 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.
- D. 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. (Witness Specketer)
- E. MEHC and PacifiCorp will comply with all existing Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports. (Witness Specketer)
- F. 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. (Witness Specketer)

- G. PacifiCorp and MEHC will not cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with the Commission's then-existing practice with respect to such matters. (Witness Specketer)
- H. 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. (Witness Specketer)
- I. 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. Ring-fencing provisions (i.e., measures providing for separate financial and accounting treatment) will be provided for each of these diversified activities, including but not limited to provisions protecting the regulated utility from the liabilities or financial distress of MEHC. This condition will not prohibit the holding of diversified businesses. (Witness Goodman)
- J. 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.
- K. Within 30 days of receiving all necessary state and federal regulatory approvals of the final corporate and affiliate cost allocation methodology, a written document setting forth the final corporate and affiliate cost methodology will be submitted to the Commission. On an on-going basis, the Commission will also be notified of anticipated or mandated changes to the corporate and affiliate cost allocation methodologies. (Witness Specketer)
- L. 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) Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule. (Witness Specketer)

#### Financial Integrity

- A. PacifiCorp will maintain separate debt and, if outstanding, preferred stock ratings. PacifiCorp will maintain its own corporate credit rating, as well as ratings for each long-term debt and preferred stock (if any) issuance. (Witness Goodman)
- B. MEHC and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts. Within 90 days following completion of the transaction, MEHC will provide a preliminary accounting of these costs. Further, MEHC will provide the Commission with a final accounting of these costs within 30 days of the accounting close. (Witness Goodman)
- C. 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. (Witness Goodman)

- D. MEHC and PacifiCorp will provide the Commission with unrestricted access to all written information provided to credit rating agencies that pertains to PacifiCorp. (Witness Goodman)
- E. 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 Commission and PacifiCorp may reexamine this minimum common equity percentage as financial conditions or accounting standards change, and may request that it be adjusted. (Witness Goodman)
- F. The capital requirements of PacifiCorp, as determined to be necessary to meet its obligation to serve the public, will be given a high priority by the Board of Directors of MEHC and PacifiCorp. (Witness Goodman)
- G. PacifiCorp will not, without the approval of the Commission, assume any obligation or liability as guarantor, endorser, surety or otherwise for MEHC or its affiliates, provided that this condition will not prevent PacifiCorp from assuming any obligation or liability on behalf of a subsidiary of PacifiCorp. MEHC will not pledge any of the assets of the regulated business of PacifiCorp as backing for any securities which MEHC or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue. (Witness Goodman)

#### Revenue Requirement Impacts

- A. MEHC and PacifiCorp, in future Commission proceedings, will not seek a higher cost of capital than that which PacifiCorp would have sought if the transaction had not occurred. Specifically, no capital financing costs should increase by virtue of the fact that PacifiCorp was acquired by MEHC.
- B. MEHC and PacifiCorp guarantee that the customers of PacifiCorp will be held harmless if the transaction between MEHC and PacifiCorp results in a higher revenue requirement for PacifiCorp than if the transaction had not occurred. However, this hold harmless provision shall not apply to incremental costs associated with cost-effective investments in renewable and thermal generation, energy efficiency programs, demand-side management programs, environmental measures, and transmission and distribution facilities approved by the Commission.

Environment

- A. PacifiCorp will continue its Blue Sky tariff offering in all states.
- B. PacifiCorp will continue its commitment to gather outside input on environmental matters, such as through the Environmental Forum.
- C. PacifiCorp will continue to have environmental management systems in place that are self-certified to ISO 14001 standards at all PacifiCorp operated thermal generation plants.

Communities

- A. MEHC will maintain the existing level of PacifiCorp's community-related contributions, both in terms of monetary and in-kind contributions.
- B. MEHC will continue to consult with regional advisory boards to ensure local perspectives are heard regarding community issues.

Employees

- A. MEHC will honor existing labor contracts with all levels of staff.
- B. MEHC and PacifiCorp will make no changes to employee benefit plans for at least two (2) years following the effective date of the Stock Purchase Agreement.

Planning

- A. PacifiCorp will continue to produce Resource Plans every two years, according to the then current schedule and the then current Commission rules.
- B. When acquiring new generation resources in excess of 100 MW, PacifiCorp and MEHC will issue Requests for Proposals (RFPs) or otherwise comply with state laws, regulations and orders that pertain to procurement of new generation resources.

## II. State Specific Commitments

### Utah

#### Customer Service

- A. PacifiCorp will report call-handling results during wide-scale outages against average answer speeds, hold times and busy indications.

#### Regulatory Oversight

- A. MEHC and PacifiCorp will provide notification of and file for Commission approval of the divestiture, spin-off, or sale of any integral PacifiCorp function. This condition does not limit any jurisdiction the Commission may have.
- B. PacifiCorp or MEHC will notify the Commission prior to implementation of plans by PacifiCorp or MEHC: (1) to form an affiliate for the purpose of transacting business with PacifiCorp's regulated operations; (2) to commence new business transactions between an existing affiliate and PacifiCorp; or (3) to dissolve an affiliate which has transacted substantial business with PacifiCorp.

### Idaho

#### Customer Service

- A. MEHC/PacifiCorp will continue to make a dedicated Irrigation Specialist available in Rexburg and Shelley in the Idaho service territory. The Irrigation Hotline will continue to be available daily from 7 AM to 7 PM, with the number published in the phone directory.
- B. Water Rights agreements will be abided by MEHC.

### Oregon

#### Regulatory Oversight

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

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

Corporate Presence

- A. The corporate headquarters of PacifiCorp will remain in Oregon.

Washington

Customer Service

- A. MEHC and PacifiCorp agree that during the 15-day period to investigate and report back to customers regarding billing and metering problems, it will not take action by initiating collection remedies or disconnecting.

Wyoming

Customer Service

- A. Penalties for noncompliance with performance standards and customer guarantees that are not paid to customers will be paid to EnergyShare of Wyoming.

**III. Administrative Commitments**

- A. Nothing in these acquisition commitments shall be interpreted as a waiver of PacifiCorp's or MEHC's rights to request confidential treatment for information that is the subject of any commitments.
- B. Unless otherwise specified by Commission regulations, the Commission shall give MEHC and PacifiCorp written notification of any violation by either company of the commitments made in this application. If such failure is corrected within ten (10) business days for failure to file reports, or five (5) business days for other violations, the Commission shall take no action. MEHC or PacifiCorp may request, for cause, an extension of these time periods. If MEHC or PacifiCorp fails to correct such violations within the specified time frames, as modified by any Commission-approved extensions, the Commission may seek to assess penalties for violation of a Commission order, against either MEHC or PacifiCorp, but not both, as allowed under state laws and regulations.

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IDAHO PUBLIC  
UTILITIES COMMISSION

Case No. PAC-E-05-08

Exhibit No. 3

Witness: Brent E. Gale

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

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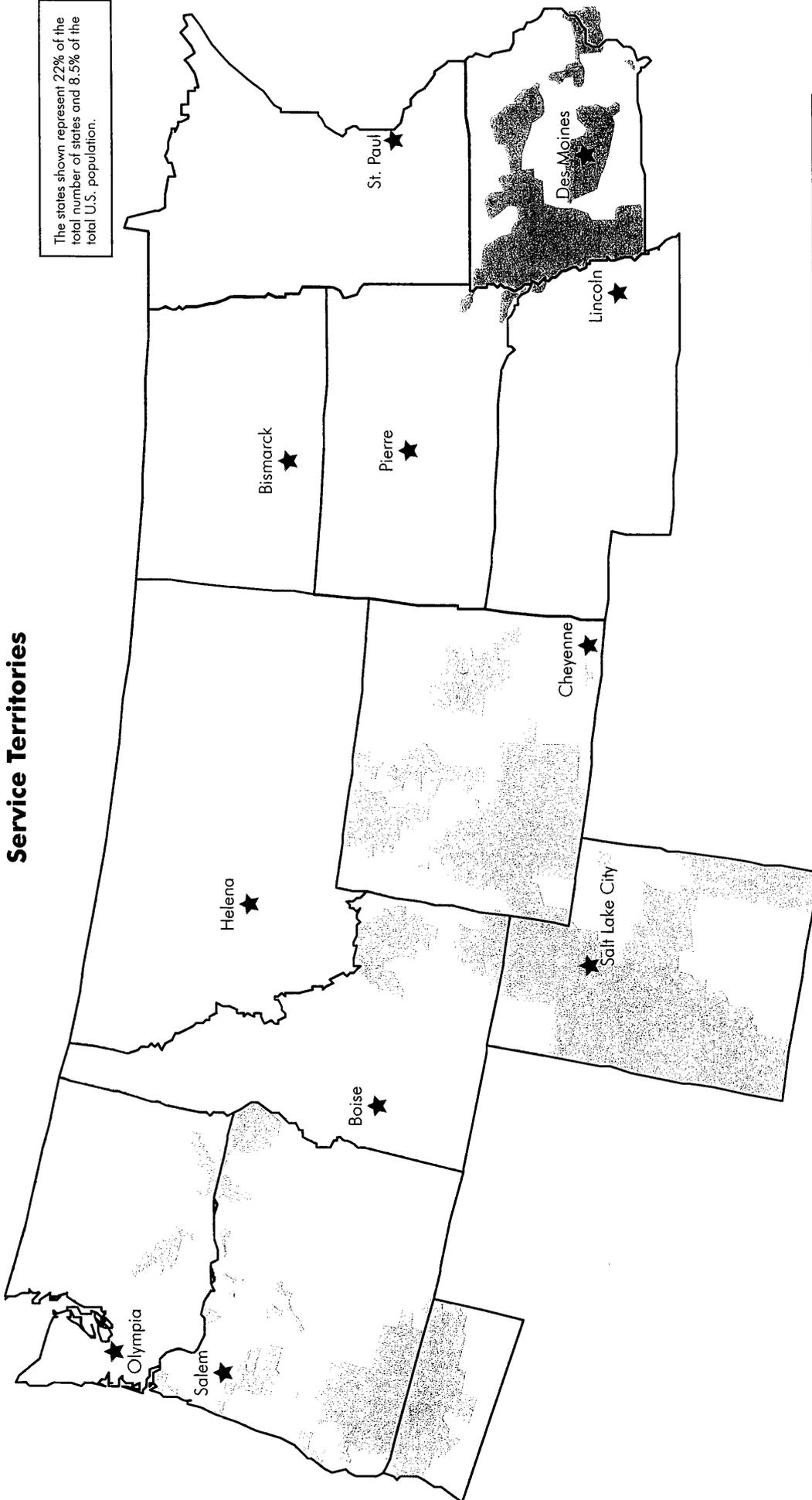
**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**Combined System Maps**

**July 2005**

### Service Territories

The states shown represent 22% of the total number of states and 8.5% of the total U.S. population.

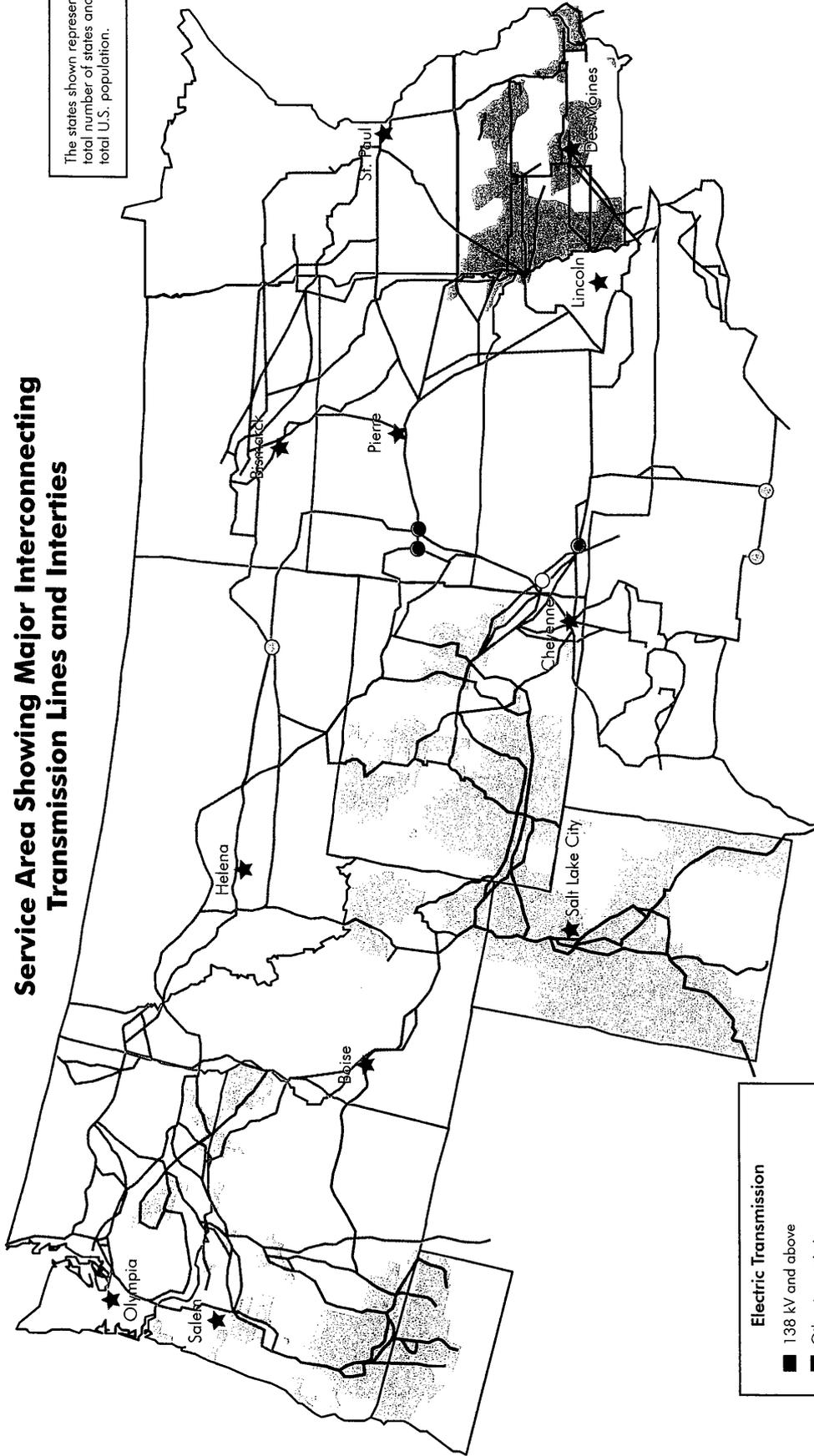


 **PACIFICORP**  
PacifiCorp Service Territory

 **MidAmerican ENERGY.**  
MidAmerican Energy Company  
Service Territory

## Service Area Showing Major Interconnecting Transmission Lines and Interties

The states shown represent 22% of the total number of states and 8.5% of the total U.S. population.



- Electric Transmission**
- 138 kV and above
  - Other transmission
  - ⊙ Miles City, MT
  - ⊙ AC-DC-AC Intertie
  - Rapid City – New Underwood, SD
  - ⊙ AC-DC-AC Intertie
  - Siegall, NE
  - AC-DC-AC Intertie
  - Sidney, NE
  - AC-DC-AC Intertie
  - ⊙ Lamar, CO – Holcomb, KS
  - AC-DC-AC Intertie

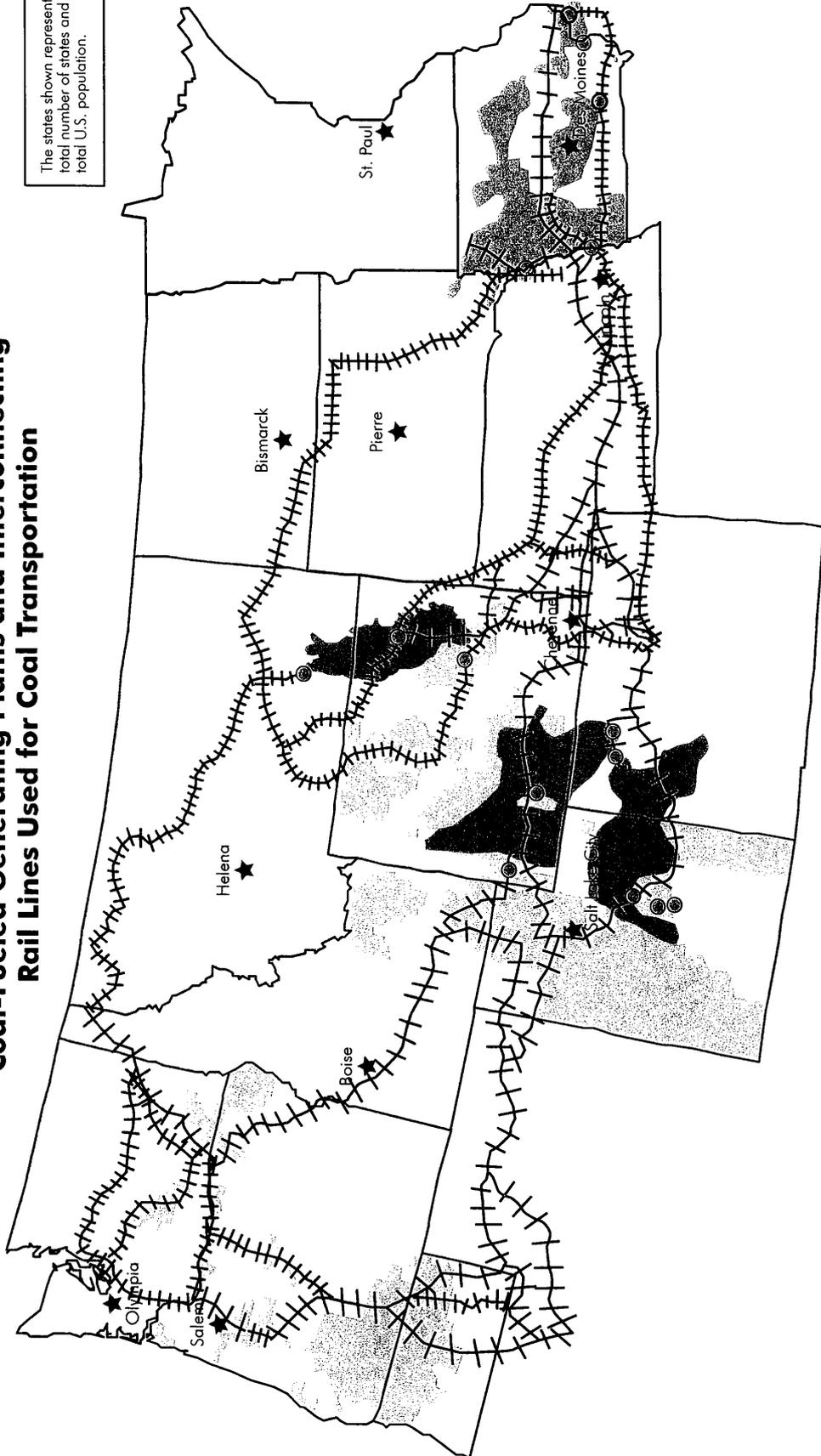
**PACIFICORP**

PacifiCorp Service Territory

**MidAmerican ENERGY**

MidAmerican Energy Company  
 Service Territory

## Coal-Fueled Generating Plants and Interconnecting Rail Lines Used for Coal Transportation



The states shown represent 22% of the total number of states and 8.5% of the total U.S. population.

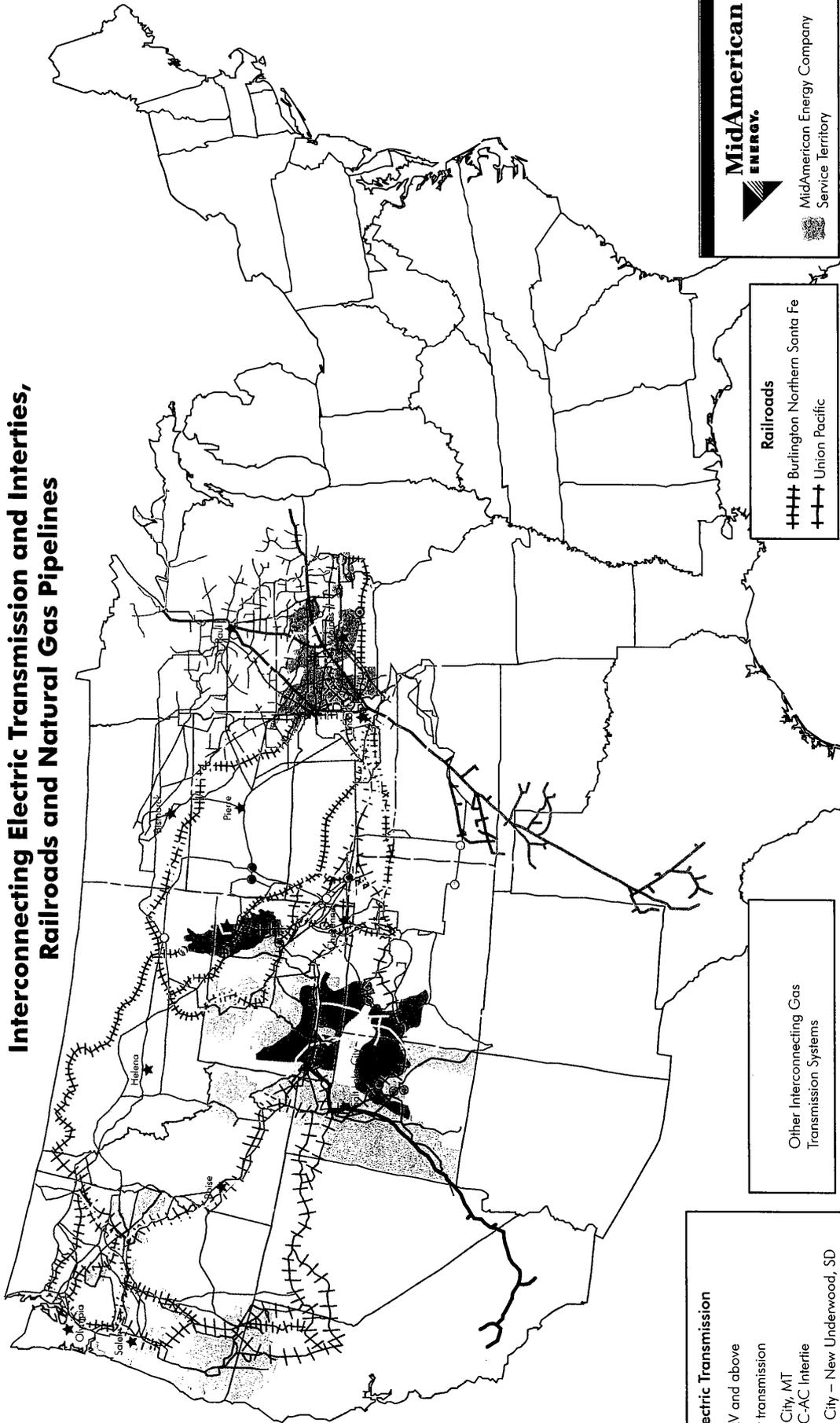
**Low-sulfur Wyoming and Utah coal**  
 Percentage of coal for electric generation fuel derived from Wyoming and Utah:  
 MidAmerican Energy Company – 100 percent  
 PacifiCorp – 100 percent

**PACIFICORP**  
 PacifiCorp Service Territory

**MidAmerican ENERGY**  
 MidAmerican Energy Company  
 Service Territory

**Railroads**  
 + + + + Burlington Northern Santa Fe  
 + + + + Union Pacific

# Interconnecting Electric Transmission and Interties, Railroads and Natural Gas Pipelines



**Electric Transmission**

- 138 kV and above
- Other transmission
- ⊙ Miles City, MT  
AC-DC-AC Intertie
- Rapid City - New Underwood, SD  
AC-DC-AC Intertie
- Stegall, NE  
AC-DC-AC Intertie
- Sidney, NE  
AC-DC-AC Intertie
- Lamar, CO - Holcomb, KS  
AC-DC-AC Intertie

Other Interconnecting Gas Transmission Systems

Low-sulfur Wyoming and Utah coal

Percentage of coal for electric generation fuel derived from Wyoming and Utah:

MidAmerican Energy Company - 100 percent  
PacifiCorp - 100 percent

**Railroads**

- ++++ Burlington Northern Santa Fe
- +++ Union Pacific

**Northern Natural Gas**

Northern Natural Gas Company Pipeline System

**MidAmerican ENERGY**

MidAmerican Energy Company Service Territory

**Kern River GAS TRANSMISSION COMPANY**

Kern River Gas Transmission Company Pipeline System

**PACIFICORP**

PacifiCorp Service Territory

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UTILITIES COMMISSION

Case No. PAC-E-05-08  
Exhibit No. 4  
Witness: Brent E. Gale

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

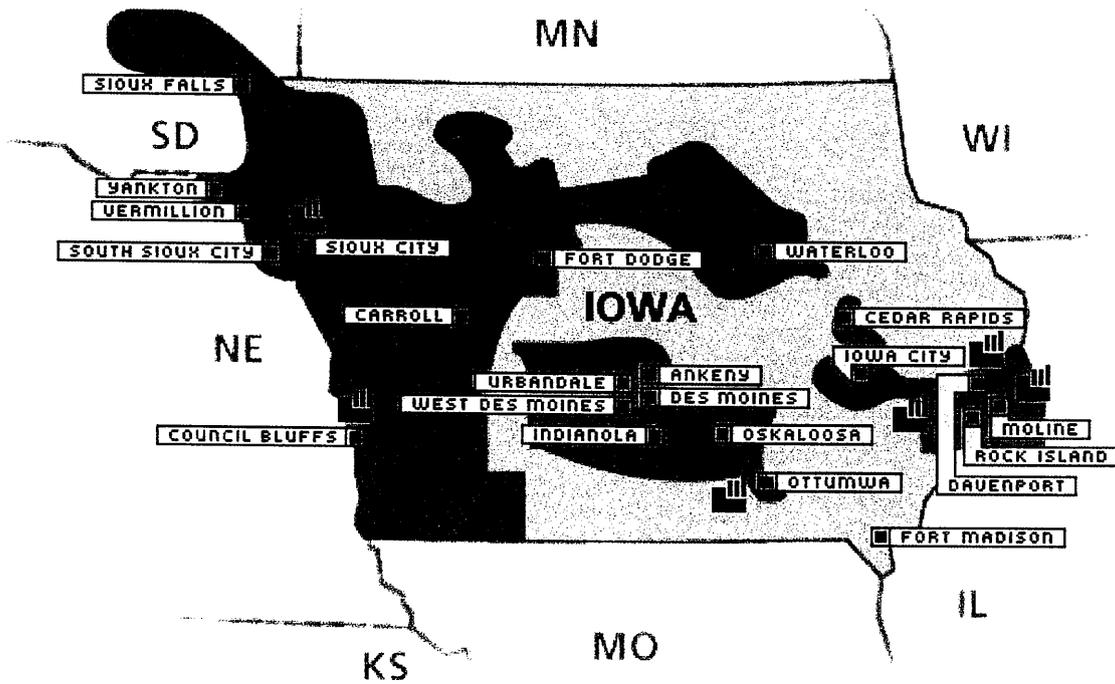
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**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**MEC Base Load Plants**

**July 2005**

## MEC Service Areas and Base Load Generating Facilities



Base load generating facilities are currently located at or near

- Sioux City, IA
- Council Bluffs, IA
- Ottumwa, IA
- Bettendorf, IA (immediately north of Davenport, IA)
- Muscatine, IA
- Cordova, IL

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Case No. PAC-E-05-08

Exhibit No. 5

Witness: Brent E. Gale

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UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

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**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**MEC Facts and Figures**

**July 2005**

## MEC Electric Operations Facts

### Facts at a Glance

#### Electric Operations (year-end 2004):

<b>Total retail customers:</b>	<b>697,611</b>
Iowa:	609,725
Illinois:	84,166
South Dakota:	3,720
Residential:	602,218
Small general service:	81,047
Large general service:	1,302
Other retail:	13,044
Average price per kilowatt-hour (residential)	\$0.0860
Average price per kilowatt-hour (retail)	\$0.0613
Average price per kilowatt-hour (industrial)	\$0.0404
Average annual revenue per customer (residential)	\$766
Average annual revenue per customer (retail)	\$1,579
Accredited net generating capacity in MW (owned)	4,481
Accredited net generating capacity in MW (purchased)	416
Total accredited net generating capacity in MW (owned and purchased)	4,897
Record summer peak load in MW – Aug. 20, 2003	3,935

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IDAHO PUBLIC UTILITIES COMMISSION Exhibit No. 6  
Witness: Brent E. Gale

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

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**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**MEC Energy Efficiency Comparisons**

**July 2005**

**MidAmerican Energy Company  
 EEP-95-3 2003 Actual and Planned Spending**

	Plan	Actual	Variance	% Variance
A/C Load Control	\$ 2,062,141	\$ 2,662,251	\$ 600,110	29.10%
Efficiency Plus	\$ 1,072,360	\$ 2,467,936	\$ 1,395,576	130.14%
House Call/Energy Fitness	\$ 882,434	\$ 3,487,377	\$ 2,604,943	295.20%
Low Income	\$ 529,099	\$ 1,090,458	\$ 561,359	106.10%
Smart Home	\$ 2,518,061	\$ 6,245,821	\$ 3,727,760	148.04%
C & I New Construction	\$ 1,252,543	\$ 3,650,564	\$ 2,398,021	191.45%
C/I HVAC&R	\$ 231,425	\$ 576,038	\$ 344,613	148.91%
C/I Direct Incentive	\$ 97,761	\$ 477,173	\$ 379,412	388.10%
C/I Lighting	\$ 261,428	\$ 976,568	\$ 715,140	273.55%
Interruptible Curtailment	\$ 8,203,775	\$ 6,746,128	\$ (1,457,647)	-17.77%
C/I Custom	\$ 80,392	\$ 368,461	\$ 288,069	358.33%
Ind. Process Optimization	\$ 49,553	\$ 828,978	\$ 779,425	1572.91%
Early HVAC Retirement	\$ 1,382,870	\$ 318	\$ (1,382,552)	-99.98%
Trees	\$ 100,000	\$ 243,707	\$ 143,707	143.71%
Assessments	\$ 1,398,351	\$ 1,425,153	\$ 26,802	1.92%
	<u>\$20,122,193</u>	<u>\$31,246,931</u>	<u>\$11,124,738</u>	<u>55.29%</u>

**MidAmerican Energy Company  
 EEP-03-1 2004 Actual & Planned Spending**

	Plan	Actual	Variance	% Variance
Residential Load Management	\$ 2,941,000	\$ 2,911,490	\$ (29,510)	-1.00%
Residential Equipment	\$ 3,295,000	\$ 2,838,210	\$ (456,790)	-13.86%
Residential Audit	\$ 2,457,000	\$ 2,874,890	\$ 417,890	17.01%
Low Income	\$ 2,075,000	\$ 1,368,728	\$ (706,272)	-34.04%
Residential New Construction	\$ 4,132,000	\$ 6,923,559	\$ 2,791,559	67.56%
Commercial New Construction	\$ 3,885,000	\$ 3,959,724	\$ 74,724	1.92%
Nonresidential Equipment	\$ 1,350,000	\$ 2,285,604	\$ 935,604	69.30%
Nonresidential Custom	\$ 400,000	\$ 633,354	\$ 233,354	58.34%
Nonresidential Load Management	\$ 6,685,000	\$ 7,814,356	\$ 1,129,356	16.89%
Small Commercial Energy Audit	\$ 645,000	\$ 345,162	\$ (299,838)	-46.49%
Nonresidential Energy Analysis	\$ 669,000	\$ 407,275	\$ (261,725)	-39.12%
Efficiency Bid	\$ 939,000	\$ 666,568	\$ (272,432)	-29.01%
Trees	\$ 400,000	\$ 503,991	\$ 103,991	26.00%
Assessments	\$ 1,477,000	\$ 1,607,859	\$ 130,859	8.86%
	<u>\$31,350,000</u>	<u>\$35,140,770</u>	<u>\$ 3,790,770</u>	<u>12.09%</u>

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IDAHO PUBLIC  
UTILITIES COMMISSION

Case No. PAC-E-05-08

Exhibit No. 7

Witness: Brent E. Gale

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**PACIFICORP**

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**Exhibit Accompanying Direct Testimony of Brent E. Gale**

**Letters from Communities**

**July 2005**

**LETTERS FROM  
MUNICIPAL UTILITIES  
AND PUBLIC POWER DISTRICTS**



**Nebraska Public Power District**  
"Always there when you need us"

Received  
MAY 25 2005  
David L. Sokol

W. J. Fehrman  
President & CEO  
Phone (402) 563-5558  
Fax (402) 563-5145  
wjfehrm@nppd.com

May 24, 2005

Mr. David L. Sokol  
Chairman and Chief Executive Officer  
MidAmerican Energy Holdings Company  
302 South 36<sup>th</sup> Street, Suite 400  
Omaha, Nebraska 68131-3845

Dear David:

Congratulations and best wishes regarding your recent announcement of the acquisition of Pacificorp. NPPD appreciates the long-standing and positive relationship we have with MidAmerican. MidAmerican's willingness to work collaboratively with public power entities in the areas of transmission and generation planning and joint ownership are important to us.

We're excited about the potential benefits the acquisition may provide, especially as it relates to the opportunity to further develop a transmission model that can help address the critical issues we face throughout our respective service areas. We look forward to working with your team in that regard.

Sincerely,

William J. Fehrman  
President & CEO  
Nebraska Public Power District

**CEDAR FALLS UTILITIES**



*The Power of Service.*

May 26, 2005

Mr. David Sokol  
Chairman and CEO  
MidAmerican Energy Holdings Company  
302 South 36<sup>th</sup> Street, Suite 400  
Omaha, Nebraska 68131-3845

Dear Mr. Sokol:

On behalf of Cedar Falls Utilities, I want to express our best wishes to your organization as you move forward with the acquisition of PacifiCorp.

As you know, Cedar Falls Utilities has enjoyed a long history of successful cooperation and partnerships with MEC and its predecessor companies. One of the most significant early partnerships brought about the ground-breaking joint ownership of Council Bluffs #3 and the related 345 KV transmission line.

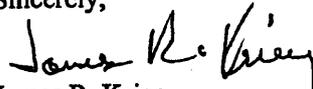
By working together, MEC predecessor Iowa Power and CFU were able to overcome political, legislative and industry challenges. Today, CB#3 remains one of the most successful economic generating units in the U.S. The joint ownership model forged by Iowa Power and CFU was soon copied by Iowa Public Service at Neal 4, Iowa Illinois at Ottumwa, and others.

Our companies have cooperated in a unique joint dispatch arrangement since 1979. In 1984, CFU purchased some Neal 4 generating capacity from IPS. The purchase kept the unit within the IPS dispatch group family to the benefit of both organizations. At this time, a significant joint effort to solve transmission bottlenecks at Quad Cities West is close to being finalized. Next month our Board is expected to give final approval for our sale of energy and capacity to the City of Hudson, again benefiting both CFU and MEC. We have also identified areas for possible future cooperation on various transmission and dispatch issues.

Many more examples of cooperation could be cited. At every opportunity for more than 30 years, our message to FERC and the Iowa Utilities Board has been that MEC is an honorable friend and partner. Most recently, we have commended MEC's efforts to offer every municipal utility in Iowa an opportunity to control its own power supply through joint ownership of Council Bluffs #4. Our Electric Utility is taking advantage of this important opportunity.

We look forward to continuing our productive partnership with MEC as your company expands through this important acquisition.

Sincerely,

  
James R. Krieg,  
General Manager/CEO

cc: Todd Raba

**Muscatine Power and Water**

3205 Cedar Street • Muscatine, Iowa 52761-2204  
563/263-2631

**Jay D. Logel**  
General Manager

May 31, 2005

Mr. David L. Sokol  
Chairman & CEO  
MidAmerican Energy Holdings Co.  
Suite 400  
302 S. 36<sup>th</sup> St.  
Omaha, NE 68131-3845

Dear David:

Congratulations on your announced intent to acquire PacifiCorp. I am certain the customers, employees, and other utilities that come in contact with PacifiCorp will be well served by the new ownership.

I have no doubt that MidAmerican will apply the same attitude of cooperation and support for municipal utilities and other potential partners in serving the utility needs of customers in the PacifiCorp areas.

Please let me know if we can be of service to you in any small way as we go forward.

Sincerely,



cc: Todd Raba, MEC

## **ECONOMIC DEVELOPMENT LETTERS**

July 12, 2005

Mr. Todd Raba  
President  
MidAmerican Energy Company  
666 Grand Ave., P.O. Box 657  
Des Moines, IA 50303-0657

Dear Todd:

Congratulations on the recent announcement that MidAmerican Energy Holdings Company intends to acquire PacifiCorp from Scottish Power. MidAmerican Energy Company has been an outstanding partner with the State of Iowa on economic development for decades, and I wish you the best of luck in completing this transaction. Given your strong focus on improving the economic conditions in your service territory, I'm sure you will bring an added level of economic development expertise to the six states in which PacifiCorp operates.

I look forward to continuing the strong relationship between MidAmerican Energy Company and the Iowa Department of Economic Development. Please let me know if there is anything I can do to assist your ongoing economic development efforts. Again, good luck completing the transaction involving PacifiCorp.

Sincerely,



Mary Lawyer  
Acting Director

MKL/klm

**IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT**



July 11, 2005

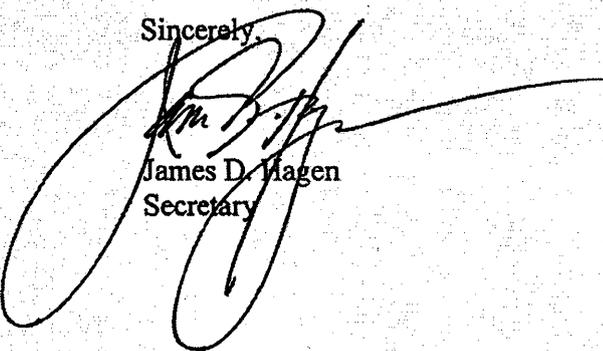
Mr. Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue, P.O. Box 657  
Des Moines, Iowa 50303-0657

Dear Todd:

Congratulations on the recent announcement that MidAmerican Energy Holdings Company will be acquiring PacificCorp. MidAmerican Energy Company has been an outstanding partner with the State of South Dakota on numerous development projects. I wish you the best of luck in completing this transaction. Given your strong focus on improving the economic vitality in the footprint of your service area, I know that you will be a strong partner for development in the six states in which PacificCorp operates.

MidAmerican Energy has provided leadership not only to the utility industry but also to the ongoing development of a vibrant business environment in southeastern South Dakota. Again, good luck completing the PacificCorp transaction, and I look forward to many more years of a successful partnership.

Sincerely,



James D. Magen  
Secretary

Office of Tourism  
Governor's Office of Economic  
Development

Tribal Government Relations  
711 E. Wells Ave. / Pierre, SD 57501-3369  
Phone: 605-773-3301 / Fax: 605-773-3256  
travelsd.com / sdgreatprofits.com /  
sdtribalrelations.com

South Dakota Arts Council

800 Governors Dr. / Pierre, SD 57501-2294  
Phone: 605-773-3131 or 1-800-423-6666 in S.D.  
Fax: 605-773-6962  
sdac@state.sd.us / sdarts.org

South Dakota State  
Historical Society

900 Governors Dr. / Pierre, SD 57501-2217  
Phone: 605-773-3458 / Fax: 605-773-6041  
sdhistory.org

South Dakota Housing  
Development Authority

PO Box 1237 / Pierre, SD 57501-1237  
Phone: 605-773-3181 / Fax: 605-773-5154  
sdhda.org





June 29, 2005

**Mayor**  
**Donald P. Welvaert**

619 - 16 Street  
Moline, Illinois 61265

Phone: (309) 797-0434  
Fax: (309) 797-0479

Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue  
Des Moines, IA 50303

Dear Mr. Raba:

I would like to write in encouragement of the announced purchase of PacifiCorp by MidAmerican Energy Holding Company. MidAmerican has been a strong partner in the redevelopment of Moline's core. I believe the communities of PacifiCorp will benefit from having MidAmerican's management commitment to community success.

MidAmerican Energy has been a steadfast supporter of our public/private partnership. Renew Moline, since its inception over 15 years ago. This partnership has completely transformed our old core industrial area into a modern tourism destination point and a premier and office employment center in the broader two state region of western Illinois and eastern Iowa. Nearly \$300 million has been invested in new buildings and public facilities in that time. It would not have happened without Renew Moline and Renew Moline would not have happened without your continued financial support as well as the ongoing participation of your economic development staff.

I've learned how important it is for MidAmerican's economic development programs to be built on strong community partnerships. I do not know what the PacifiCorp economic development program is like, but if it ends up like MidAmerican's then those communities will have a "winner" for a utility.

Good luck in your acquisition.

Sincerely,

CITY OF MOLINE, ILLINOIS

A handwritten signature in cursive script that reads "Don Welvaert".

Donald P. Welvaert  
Mayor



*The Voice of Iowa Business Since 1903.*

June 13, 2005

Mr. Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue  
PO Box 657  
Des Moines, IA 50303-0657

Dear Mr. Raba:

I was pleased to read about MidAmerican Energy Holding Company's recently announced acquisition of PacifiCorp. Based on our Association's experience with MidAmerican Energy Company, I'm sure PacifiCorp's businesses will be pleased with the strong partnership its new owners will be able to provide to them.

For many years, MidAmerican has been a vital and important business in Iowa. Your company has shown a strong and continuing commitment to improving the state's business environment. MidAmerican's commitment is further demonstrated by your ability to deliver electric rate stability to our members. That is a critical economic development tool for Iowa.

The three major generation-construction projects MidAmerican has initiated in the past two years have also added jobs in the state. When completed, they will help assure that Iowa businesses have adequate and reliable energy sources which will allow them to grow into the future.

MidAmerican Energy has provided leadership not only to the Association of Business and Industry, but also to the ongoing development of a vibrant business environment in Iowa. I look forward to many more years of a successful partnership between our two organizations.

Sincerely,

James D. Aipperspach  
President

**ASSOCIATION OF BUSINESS AND INDUSTRY**

904 Walnut Street • Suite 100 • Des Moines, Iowa 50309-3503  
515-280-8000 • 800-383-4224 • Fax 244-8907 • Email [abi@iowaabi.org](mailto:abi@iowaabi.org) • [www.iowaabi.org](http://www.iowaabi.org)

THE **greater** DES MOINES  
**partnership**

June 14, 2005

Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue  
P.O. Box 657  
Des Moines, IA 50303-0657



Dear Mr. Raba:

Congratulations on MidAmerican Energy Holdings Company's recently announced acquisition of PacifiCorp! I am confident the communities and businesses served by PacifiCorp will see the same commitment to partnership that we experience with MidAmerican Energy Company here in the Des Moines area.

For many years, MidAmerican has supported the efforts of the Greater Des Moines Partnership. Besides participating in and supporting traditional chamber of commerce activities, your employees are always there when we need them – as leaders in our Choose Des Moines Communities and our Downtown Community Alliance. Together, we have successfully attracted new businesses and expanded many of our existing businesses in the Des Moines area. None of this could have been accomplished without MidAmerican Energy Company.

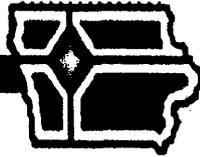
I look forward to many more years of a successful partnership between our two organizations.

Sincerely,

Martha A. Willits  
President & CEO

Mid Iowa Growth

Partnership



**UNITING OUR AREA IN ECONOMIC  
DEVELOPMENT**

**Calhoun \* Hamilton \* Hardin  
Humboldt \* Kossuth \* Palo Alto  
Pocahontas \* Webster \* Wright**

July 7, 2005

Mr. Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue  
Des Moines, IA 50303

Dear Mr. Raba:

I read with interest of your announcement to PacifiCorp by MidAmerican Energy Holding Company. I want to take this time to write my thoughts about MidAmerican Energy Company as I see it for economic development in rural areas. I'm doing this in hopes that you can use these comments in some way to benefit your acquisition.

Our organization covers a nine county area in north central Iowa. Fostering economic development in such an area today is challenging to say the least. Over the years, though, MidAmerican Energy has been an outstanding partner in helping guide us. Your economic development team comes to our aid whenever called because we know that we can count on their professionalism in whatever our undertaking. Here are just a couple examples. Your staff helped finance and facilitate a county-wide economic development strategy then, brought it to the local community for implementation. When the Iowa Department of Economic Development announced a regional marketing initiative, MidAmerican was among the first businesses to step forward and commit to sharing the required local matching fund. Furthermore, your team committed to help guide us in the development of this new and exciting initiative.

In short, we just know that we can count on MidAmerican Energy to be a full partner with us. We know that your staff works in a broad range of communities and for them to take the time to work with us in small-town rural Iowa is truly appreciated. I believe the rural areas in the PacifiCorp area will have that same appreciation when they see what you will bring to them.

Keep up the good partnerships and good luck with your purchase.

Sincerely,

Dennis Bowman  
President, Mid Iowa Growth Partnership

# Yankton Area Progressive Growth, Inc.

PacificCorp  
Exhibit No. 7, Page 12 of 15  
CASE NO. PAC-E-05-08  
Witness: Brent E. Gale

P.O. Box 588 • Yankton, South Dakota 57078 • (605) 665-9011 • Fax: 605-665-7501

July 12, 2005

Mr. Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue, P O Box 657  
Des Moines, IA., 50303-0657

Dear Todd:

I was very pleased to hear your recent announcement about the proposed acquisition of PacificCorp. I would like to extend my support and encouragement to you as you wind your way through the approval process.

When I served as a Yankton City Commissioner I knew that the community enjoyed an excellent relationship with MidAmerican Energy. It is my opinion that the cities in the PacificCorp service area can expect a similar experience. Your employees have always been active participants in community activities and volunteer organizations.

MidAmerican Energy has been the best of partners. Your company has gone beyond the basics of supplying energy. Whether advising local firms and home owners on how to save energy, checking out gas leaks or suspected carbon monoxide problems with tremendous response time, or planning and constructing facilities that ensure quality service and room for growth and development – your folks have proven that MidAmerican is willing to go the extra mile.

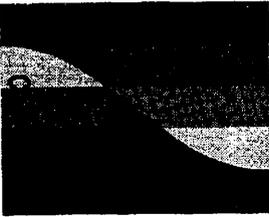
As a professional economic developer I can attest that MidAmerican supports the communities that it serves with an economic development team that rivals that of many state economic development offices. MidAmerican's economic development group partners with our community in truly meaningful ways. I am sure that the communities in PacificCorp's service area will be equally pleased when they become your partners.

Yankton's economic development corporation (Yankton Area Progressive Growth) and I look forward to many years of partnership with MidAmerican in making Yankton a great place to live and prosper.

Sincerely,



Kurt E. Hauser  
President



MAYOR, THOMAS P. HANAFAN

June 13, 2005

Mr. Todd Raba, President  
MidAmerican Energy  
666 Grand Avenue  
Des Moines, IA 50303-0657

Dear Todd:

I would like to extend my support on your company's recent announced acquisition of PacifiCorp. This must be a very exciting time for your company and at the same time full of many challenges.

Over the years, the City of Council Bluffs has had many positive experiences with MidAmerican Energy and I believe that PacifiCorp communities will quickly realize the commitment and partnership that MidAmerican Energy extends to the communities it serves. Your employees have always been counted on to be active participants in this community and we look forward to that continued support.

The City of Council Bluffs is especially appreciative of the recent investment MidAmerican Energy has chosen to make in Council Bluffs by building the new generation facility. In addition to the economic development-related benefits of the current construction project, the City is proud to be involved in your company's efforts to assure Iowa's energy future.

I would like to congratulate your company on a job well done and would like to again extend my support for your PacifiCorp acquisition.

Sincerely,

Tom Hanafan  
Mayor - City of Council Bluffs





# CITY OF WATERLOO, IOWA

CITY HALL • 715 MULBERRY ST. • WATERLOO, IA 50703 • (319) 291-4301 FAX (319) 291-4286

Mayor  
TIMOTHY J.  
HURLEY

June 13, 2005

COUNCIL  
MEMBERS  
.....

REGINALD A.  
SCHMITT  
Ward 1

CAROLYN  
COLE  
Ward 2

BUCK  
CLARK  
Ward 3

JOHN A.  
KINCAID  
Ward 4

RON  
WELFER  
Ward 5

BOB  
GREENWOOD  
At-Large

ERIC  
GUNDERSON  
At-Large

Mr. Dan Arens  
MidAmerican Energy  
260 Fairview Avenue  
P.O. Box 600  
Waterloo, Iowa 50704

Dear Dan:

Our community has benefited greatly from the services provided by MidAmerican Energy and I want to add my support to their acquisition of PacifiCorp.

MidAmerican Energy Company is a complete energy partner, going beyond the fundamentals of supplying natural gas and electricity. They are committed to providing outstanding service and to acting as an advocate for their customers in the ever-changing market place. The acquisition of PacifiCorp will provide a greater emphasis on customer satisfaction and efficiency.

MidAmerican Energy has been a been an outstanding corporate citizen that has partnered with the City in Waterloo in the following areas: joining in economic development facilities, planning and cooperation; providing energy audits were thousands of dollars in power costs have been saved by our municipality; and working with the City of Waterloo in the replacement of incandescent traffic lights with light emitting diodes (LED) by providing rebates to the city for each LED installed.

The City of Waterloo looks forward to our continued relationship with MidAmerican Energy and the additional opportunities the PacifiCorp acquisition will provide for the City of Waterloo and for MidAmerican customers.

Sincerely,

A handwritten signature in cursive script that reads "Tim Hurley".

Tim Hurley, Mayor  
City of Waterloo, Iowa



## City of Davenport

Charles W. Brooke, Mayor  
cwb@ci.davenport.ia.us

June 29, 2005

Mr. Todd Raba, President  
MidAmerican Energy Company  
666 Grand Avenue  
Des Moines, IA

Dear Mr. Raba:

**Congratulations on the planned purchase of PacifiCorp by MidAmerican Energy Holding Company. If you operate the PacifiCorp utility as you do MidAmerican Energy, the customers and communities there will immensely benefit.**

**Over the years MidAmerican Energy and its predecessor company has been a strong partner with the City of Davenport in its growth. From downtown to the fringe area, MidAmerican is consistently at the table. For example, in the downtown, without leadership from your management team, a \$45m three block office and convention complex would not have occurred. On the edge of town, MidAmerican stepped up to join the City and Scott County in funding the purchase of land that is now a fully developed 220 acre industrial park. Your economic development staff continues playing a vital role in its marketing.**

**When we are considering an economic development imitative, we can count on MidAmerican to be one of our stronger partners. If you bring that philosophy to the communities and counties in the utility you are purchasing, then they will be much better for it and you will greatly prosper.**

Good luck in your endeavor.

Sincerely,

Charles W. Brooke, Mayor

226 West Fourth Street • Davenport, Iowa 52801  
Telephone: 563-326-7701 Fax: 563-328-6726 TDD: 563-326-6145  
www.cityofdavenportiowa.com

"...where the Mississippi River Celebrates!"