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IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF MIDAMERICAN ENERGY HOLDINGS COMPANY (MEHC) AND PACIFICORP DBA UTAH POWER & LIGHT COMPANY FOR AN ORDER AUTHORIZING MEHC TO ACQUIRE PACIFICORP.	)	CASE NO. PAC-E-05-8

DIRECT TESTIMONY OF TERRI CARLOCK

IDAHO PUBLIC UTILITIES COMMISSION

DECEMBER 20, 2005

1 Q. Please state your name and address for the
2 record.
3 A. My name is Terri Carlock. My business address
4 is 472 West Washington Street, Boise, Idaho.
5 Q. By whom are you employed and in what capacity?
6 A. I am employed by the Idaho Public Utilities
7 Commission as the Accounting/Audit Section Supervisor.
8 Q. Please outline your educational background and
9 experience.
10 A. I graduated from Boise State University in
11 1980, with B.B.A. Degrees in Accounting and Finance. I
12 have attended various regulatory, accounting, rate of
13 return, economics, finance and ratings programs. I
14 chaired the National Association of Regulatory Utilities
15 Commissioners (NARUC) Staff Subcommittee on Economics and
16 Finance for more than 3 years. Under this subcommittee,
17 I also chaired the Ad Hoc Committee on Diversification.
18 I am currently the Secretary of the NARUC Staff
19 Subcommittee on Accounting and Finance. I have been a
20 presenter for the Institute of Public Utilities at
21 Michigan State University and for many other conferences.
22 Since joining the Commission Staff in May 1980, I have
23 participated in audits, performed financial analysis on
24 various companies, and have presented testimony before
25 this Commission on numerous occasions.

1 Q. What is the purpose of your testimony in this
2 proceeding?
3 A. The purpose of my testimony is to present the
4 Staff's recommendations related to the proposed
5 acquisition of PacifiCorp by MidAmerican Energy Holdings
6 Company (MEHC). I will discuss issues related to the
7 acquisition and the examination I conducted. Issues not
8 directly related to the acquisition will be addressed in
9 separate proceedings or regulatory reviews.
10 Q. Please summarize the overall Staff
11 recommendations.
12 A. The Staff recommends approval of the
13 acquisition transaction of PacifiCorp by MEHC with
14 specific commitments, conditions and reporting mechanisms
15 to be implemented.
16 Q. Are you sponsoring any exhibits to accompany
17 your testimony?
18 A. Yes, I am sponsoring Exhibit No. 101 consisting
19 of the parties' Settlement Stipulation supporting the
20 acquisition and more importantly the 76 Commitments.
21 Q. Please explain the overall approach Staff has
22 taken to arrive at its acquisition recommendations?
23 A. Staff reviewed the requirements necessary for
24 the Commission to approve the acquisition. As Staff
25 discovered potential issues, it was determined if the

issue was created by the acquisition or an issue to be addressed regardless of company ownership. Issues resulting from the acquisition were evaluated to determine if the acquisition should be approved. To the extent other issues may be identified, they will be addressed in the upcoming rate review or in other future proceedings.

Q. What standards did you apply to review this proposed acquisition?

A. The applicable standards of review are set forth in *Idaho Code* § 61-328 and *Idaho Code*, Title 61, Chapter 9, Issuance of Securities by Public Utilities. *Idaho Code* § 61-328 provides that "No electric public utility … shall merge, sell, lease, assign or transfer, directly or indirectly, in any manner whatsoever, any such property or interest therein, … except when authorized to do so by order of the public utilities commission." More specifically, this statute requires that the Commission make three specific findings:

(a) That the transaction is consistent with the public interest;
(b) That the cost of and rates for supplying service will not be increased by reason of such transaction; and
(c) That the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service.

Idaho Code, Title 61, Chapter 9, Issuance of Securities by Public Utilities specifies the requirements PacifiCorp and MEHC, if the acquisition is approved, must follow to obtain authority to issue securities.

Review of all security applications with the required financial statements and subsequent reports provides an important opportunity for the Staff to monitor the stated financial objectives of the acquisition.

Q. Have you considered these standards in making your recommendation?

A. Yes. These standards have been seriously considered and are the basis for the analysis upon which my recommendations are based. I will discuss each standard separately.

Q. Does Staff believe the transaction is consistent with the public interest?

A. Yes, in fact Staff believes the public interest of Idaho customers will be enhanced by the capital commitments, ongoing customer guarantees, access to books and records, ring-fencing provisions, and guaranteed reduced cost of debt. These and various other commitments, totaling 76, are listed in Exhibit No. 101 (Settlement Stipulation).

Q. Will the cost of and rates for supplying

service be increased by reason of the acquisition?

A. No. The cost of and rates for service will not increase due to the acquisition itself. The acquisition costs incurred to transact the acquisition through closing will be excluded from PacifiCorp's utility accounts pursuant to General Commitment No. 17 and Idaho-Specific Commitment No. 18 of Exhibit No. 101. Consequently, Idaho customers will not pay these acquisition costs. General Commitment No. 37 guarantees a reduced cost of debt of at least ten (10) basis points over the next five years. The projected system benefit over the post-acquisition five-year period is approximately $6.3 million. Staff will verify the cost of debt reduction in all security issuance approvals, audits and rate proceedings. The "all-in-cost" will be evaluated (Idaho Commitment No. 11) when reflecting the lower debt cost in rates. If the lower costs are not achieved, the actual adjusting entries will be determined in future rate proceedings. This commitment guarantee and review will be used to assure the Commission and customers that rates will not increase by reason of the acquisition.

Q. Does this mean that rates will never increase?

A. Rates will not increase as a result of the acquisition but that doesn't necessarily mean that rates

will never increase. Any requested increases will be thoroughly reviewed to assure that cost increases are **not** a result of the acquisition. Staff and the other parties anticipate that PacifiCorp will file a general rate case on or about April 2006.

Q. Are you proposing that rates be reduced as a condition of the acquisition?

A. I am not proposing rate reductions at this time. PacifiCorp rates will be reviewed in its 2006 rate case. The resulting rates from that case should assure parties and customers that rates are set at a fair and reasonable level.

Q. Do the Applicants have the bona fide intent and financial ability to operate and maintain said electrical property in the public service?

A. Yes, I believe they do based on my review of annual financial statements and reports, statements of regulatory accounts, due diligence reports, disclosure letters, board meeting minutes, and the production request responses in this case and meetings with Company representatives. The Applicants have committed to make investments in both transmission and distribution networks in General Commitment Nos. 34 and 35.

Q. MEHC witnesses' prefiled direct testimony and exhibits propose conditions to facilitate the

acquisition. Do you recommend approval of these conditions?

A. Yes, I recommend approval of these conditions as they have been modified and supplemented in Exhibit No. 101. Exhibit No. 101 reflects the final Stipulation and Commitments agreed to by most parties in Idaho that addresses the individual and collective concerns of parties.

Q. As part of the review and settlement discussions, please outline some of the concerns that were addressed by the parties and ultimately included in the Commitments applicable to all states and the Idaho-Specific Commitments.

A. Many of the concerns and commitments are self-explanatory and included as part of the Stipulation and attached Commitments. A "most favored nation" clause is also included in Section III of the Stipulation with a proposed process to implement this clause. Staff accepts the proposed process to implement any additional commitments desired under the "most favored nation" clause. Therefore, any assurances, conditions or benefits agreed to by MEHC or PacifiCorp in the other five state jurisdictions that would create a benefit to Idaho customers could be subsequently adopted in Idaho under the terms of the Stipulation.

Other Staff concerns discussed during the review and settlement discussions include: customer guarantees and performance standards; access to books and records of MEHC, PacifiCorp and affiliates; capital commitments; resource acquisition under a level playing field; low income customer programs and supplemental programs for all customers; and most importantly ring-fencing measures.

Q. Please explain ring-fencing.

A. Ring-fencing provisions are techniques, when used together, that will essentially isolate the credit risks of PacifiCorp from the credit risks of the parent company or other affiliates. Ring-fencing provisions are clearly identified in the PPW Holdings LLC agreement in addition to the commitments focusing on separate legal corporate structures, separate books and records, preventing cross-subsidization, specific board requirements and independence measures, separate debt and preferred stock with separate ratings for each, required issuance approvals, common equity percentage requirements, and dividend payment restrictions.

Q. Do you have concerns related to refinancing costs, dividend payments, capital structure, and cost of new financings to implement the acquisition or following the acquisition?

A. Yes. Costs directly related to the acquisition transaction should be recorded below the line and **not** included in future calculations to determine embedded costs of capital or rates.

Q. How will the acquisition be treated for ratemaking purposes?

A. The acquisition will be booked on the books of the acquisition company. Any acquisition adjustments or goodwill will **not** be recovered through rates as reflected in Idaho Commitment No. 18.

Q. Please discuss further the reporting that should be required if this acquisition is approved.

A. The required reports by MEHC and PacifiCorp are listed in the agreed commitments related to final transaction details, customer service, movements beyond target levels set out in the commitments, expansion of programs, audits and debt costs. Additional documentation will be filed to show the detail behind all debt savings achieved and detail reflecting all measurements to determine if the guarantees are met.

Q. What is Staff's recommendation?

A. Staff recommends that the Commission approve the Stipulation and adopt the Commitments in Exhibit No. 101. The Commitments and the "most favored nation" clause adequately protect Idaho ratepayers and serve the

public interest.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes, it does.

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Joint Counsel for MidAmerican Energy Holdings Company and PacifiCorp dba Utah Power & Light Company

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	)	**CASE NO. PAC-E-05-8** **STIPULATION**

This Stipulation ("Stipulation") is entered into by and among PacifiCorp, doing business as Utah Power & Light Company ("PacifiCorp"), MidAmerican Energy Holdings Company ("MEHC"), the Idaho Public Utilities Commission Staff ("Staff"), Monsanto Company ("Monsanto"), the Idaho Irrigation Pumpers Association ("IIPA"), J.R. Simplot Company ("Simplot"), Community Action Partnership Association of Idaho ("CAPAI"), and Idaho Power Company ("Idaho Power")[1] (collectively referred to as the "Parties").

I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of the issues raised in this proceeding and that this Stipulation is in the public interest. The Parties, therefore,

[1] Although it is not a signatory to this Stipulation, Idaho Power does not oppose either the settlement of this matter or the terms of the Stipulation.

recommend that the Public Utilities Commission ("Commission") approve the Stipulation and all of its terms and conditions. Reference IDAPA 31.01.01.272, 274.

II. BACKGROUND

2. On July 15, 2005, MEHC and PacifiCorp (sometimes hereinafter jointly referred to as "Applicants") filed an Application with the Commission seeking authorization pursuant to *Idaho Code* § 61-328 authorizing a proposed transaction ("Transaction") whereby MEHC would acquire all of the outstanding common stock of PacifiCorp and PacifiCorp would thereafter become an indirect wholly owned subsidiary of MEHC. On August 17, 2005, Applicants submitted a revised Application reflecting the impact of the enactment of the Energy Policy Act of 2005, including the repeal of the Public Utility Holding Company Act of 1935.

3. On August 18, 2005, the Commission issued a Notice of Application and a Notice of Revised Application.

4. Petitions to intervene in this proceeding were filed by Monsanto, IIPA, Simplot, CAPAI, Idaho Power Company and IBEW Local 57. By various orders, the Commission granted these interventions.

5. Pursuant to the Commission's Order No. 29867, representatives of the Parties met on November 2 and engaged in initial settlement discussions with a view toward resolving the Application in this case. Subsequent discussions were held on December 8.

Based upon the settlement discussions among the Parties, as a compromise of the positions in this case, and for other consideration as set forth below, the Parties agree to the following terms:

III. TERMS OF THE STIPULATION

6. Appendix A contains the complete list of Commitments that Applicants collectively and individually agree to make in exchange for the support of the Parties in this proceeding (hereinafter referred to as "Commitments"). The Commitments are comprised of general commitments applicable to all the states in which PacifiCorp's service territory extends

and Idaho-specific commitments which apply only to the activities and operations of Applicants within Idaho. By virtue of executing this Stipulation, the Applicants agree to perform all of the Commitments set forth in Appendix A according to the provisions of each Commitment as set forth therein.

7. In the process of obtaining approvals of the Transaction in other states, the Commitments may be expanded or modified as a result of regulatory decisions or settlements. The Applicants agree that the Commission shall have an opportunity and the authority to consider and adopt in Idaho any commitments or conditions to which the Applicants agree or with which the Applicants are required to comply in other jurisdictions, even if such commitments and conditions are agreed to after the Commission enters its order in this docket. To facilitate the Commission's consideration and adoption of the commitments and conditions from other jurisdictions, the Parties urge the Commission to issue an order accepting this Stipulation as soon as practical, but to reserve in such order the explicit right to re-open Appendix A to add (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Idaho) commitments and conditions accepted or ordered in another state jurisdiction. To provide input to the Commission to facilitate a prompt decision regarding the desirability or lack of desirability for these out-of-state commitments and conditions to be adopted in Idaho, the Parties agree to and recommend the following process:

- Within five calendar days after a stipulation with new or amended commitments is filed by the Applicants with a commission in another state jurisdiction, Applicants will send a copy of the stipulation and commitments to the Parties.
- Within five calendar days after a commission in another state jurisdiction issues an order that accepts a stipulation to which Applicants are a party or otherwise imposes new or modified commitments or conditions, that order, together with all commitments and conditions of any type agreed to by Applicants or ordered by the commission in such other state, will be filed with the Commission and served

on all parties to this docket by the most expeditious means practical. Within ten calendar days after the last such filing from the other states ("Final Filing"), any party to the docket wishing to do so shall file with the Commission its response, including its position as to whether any of the covenants, commitments and conditions from the other jurisdictions (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Idaho) should be adopted in Idaho.

- Within five calendar days after any such response filing, any party to the docket may file a reply with the Commission. The parties agree to support in their filings (or by representation of same by MEHC) the issuance by the Commission of an order regarding the adoption of such commitments and conditions as soon as practical thereafter, recognizing that the transaction cannot close until final state orders have issued.

8. Not later than the Final Filing, MEHC and PacifiCorp will disclose to the Parties any written commitments, conditions or covenants made in another state jurisdiction (between the date of the filing of the Stipulation and the receipt of the last state order in the transaction docket) intended to encourage approval of the transaction or avoidance of an objection thereto.

9. The Parties, by signing this Stipulation, acknowledge that the Applicants have satisfied the standard under *Idaho Code* § 61-328 for approval of the Transaction and request that the Commission issue its order approving the Application and this Stipulation. The Parties encourage the Commission to enter a final Idaho approval order by February 28, 2006.

10. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to IDAPA 31.01.01.274. Parties shall support this Stipulation before the Commission, and no Party shall appeal any portion of this Stipulation or Order approving the same. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are

incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

11. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. Other than the above referenced positions and any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all negotiations relating to this Stipulation shall not be admissible in evidence in this or any other proceeding regarding this subject matter.

12. Applicants acknowledge that the Commission's approval of the Stipulation, the Commitments or the Joint Application shall not bind the Commission in other proceedings with respect to the determination of prudence, just and reasonable character, rate or ratemaking treatment, or public interest of services, accounts, costs, investments, any particular construction project, expenditures or actions referenced in these Commitments.

13. In the event the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing briefs.

14. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

15. Subject to Paragraph 16 of this Stipulation, the effective date of this Stipulation shall be the date of the closing of the Transaction.

16. The obligations of the Applicants under this Stipulation are subject to the Commission's approval of the Application in this docket on terms and conditions acceptable to the Applicants, in their sole discretion, and the closing of the Transaction.

17. To the extend any of above reference filing dates falls on a weekend or a holiday, the filing shall be due on the next business day.

Respectfully submitted this 16th day of December 2005.

Idaho Public Utilities Commission Staff

By _____
Donald L. Howell II
Deputy Attorney General

MidAmerican Energy Holdings Company

By _____
Mark C. Moench
Senior Vice President, Law

PacifiCorp

By _____
D. Douglas Larson
Vice President, Regulation

Monsanto Company

By _____
Randall C. Budge
Racine, Olson, Nye, Budge & Bailey, Chartered

J.R. Simplot Company

By _____
R. Scott Pasley
Assistant General Counsel

Community Action Partnership Association of Idaho (CAPAI)

By _____
Brad M. Purdy
Attorney at Law

Idaho Irrigation Pumpers Association

By _____
Eric L. Olsen
Racine, Olson, Nye, Budge & Bailey, Chartered

N:PAC-E-05-08_dh_Stipulation

Respectfully submitted this 14th day of December 2005.

Idaho Public Utilities Commission Staff

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Deputy Attorney General

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D. Douglas Larson
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Monsanto Company

By Randall C. Budge 12-16-05
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R. Scott Pasley
Assistant General Counsel

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By_____
Eric L. Olsen 12/16/05
Racine, Olson, Nye, Budge & Bailey, Chartered

IBEW Local 57

By_____
Alan Herzfeld
Herzfeld & Piotrowski

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MEHC Acquisition of PacifiCorp
Idaho

Consolidated List of Commitments

Commitments Applicable to All States

1) MEHC and PacifiCorp affirm the continuation (through March 31, 2008) of the existing customer service guarantees and performance standards in each jurisdiction. MEHC and PacifiCorp will not propose modifications to the guarantees and standards prior to March 31, 2008. Refer to Commitment 45 for the extension of this commitment through 2011.

2) Penalties for noncompliance with performance standards and customer guarantees shall be paid as designated by the Commission and shall be excluded from results of operations. PacifiCorp will abide by the Commission's decision regarding payments.

3) PacifiCorp will maintain its own accounting system, separate from MEHC's accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon. PacifiCorp's financial books and records and state and federal utility regulatory filings and documents will continue to be available to the Commission, upon request, at PacifiCorp's offices in Portland, Oregon, Salt Lake City, Utah, and elsewhere in accordance with current practice.

4) MEHC and PacifiCorp will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between PacifiCorp and its affiliated interests or which are otherwise relevant to the business of PacifiCorp. This commitment is also applicable to the books and records of Berkshire Hathaway, which shall retain its books and records relevant to the business of PacifiCorp consistent with the manner and time periods of the Federal Energy Regulatory Commission's record retention requirements that are applicable to PacifiCorp's books and records.

5) MEHC, PacifiCorp and all affiliates will make their employees, officers, directors, and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission.

6) The Commission or its agents may audit the accounting records of MEHC and its subsidiaries that are the bases for charges to PacifiCorp, to determine the reasonableness of allocation factors used by MEHC to assign costs to PacifiCorp and amounts subject to allocation or direct charges. MEHC agrees to cooperate fully with such Commission audits.

7) MEHC and PacifiCorp will comply with all applicable Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.

8) PacifiCorp will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate.

9) PacifiCorp and MEHC will not cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with the Commission's applicable orders and rules with respect to such matters.

10) Due to PUHCA repeal, neither Berkshire Hathaway nor MEHC will be registered public utility holding companies under PUHCA. Thus, no waiver by Berkshire Hathaway or MEHC of any defenses to which they may be entitled under *Ohio Power Co. v. FERC*, 954 F.2d 779 (D.C. Cir.), *cert. denied sub nom. Arcadia v. Ohio Power Co.*, 506 U.S. 981 (1992) ("*Ohio Power*"), is necessary to maintain the Commission's regulation of MEHC and PacifiCorp. However, while PUHCA is in effect, Berkshire Hathaway and MEHC waive such defenses.

11) Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of MEHC following approval of the transaction will not be held by PacifiCorp or a subsidiary of PacifiCorp. Ring-fencing provisions for PPW Holdings LLC will be the same as those in effect for NNGC Acquisitions, LLC. MEHC and PacifiCorp will notify the Commission of any changes in the ring-fencing provisions. This condition will not prohibit MEHC or its affiliates other than PacifiCorp from holding diversified businesses.

12) PacifiCorp or MEHC will notify the Commission subsequent to MEHC's board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of MEHC; or (2) the change in effective control or acquisition of any material part or all of PacifiCorp by any other firm, whether by merger, combination, transfer of stock or assets.

13) The Intercompany Administrative Services Agreement (IASA) will include the corporate and affiliate cost allocation methodologies. The IASA will be filed with the Commission as soon as practicable after the closing of the transaction. Approval of the IASA will be requested if required by law or rule, but approval for ratemaking purposes will not be requested in such filing. Refer to Commitment 14 (f). Amendments to the IASA will also be filed with the Commission.

14) Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law or rule to be submitted to the Commission for approval, will comply with the following principles:

a) For services rendered to PacifiCorp or each cost category subject to allocation to PacifiCorp by MEHC or any of its affiliates, MEHC must be able to demonstrate that such service or cost category is necessary to PacifiCorp for the performance of its regulated operations, is not duplicative of services already being performed within PacifiCorp, and is reasonable and prudent.
b) Cost allocations to PacifiCorp and its subsidiaries will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to specific subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors.
c) MEHC and its subsidiaries will have in place positive time reporting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to PacifiCorp.
d) An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
e) Costs which would have been denied recovery in rates had they been incurred by PacifiCorp regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the MEHC group.
f) Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval if required by law or rule.

15) PacifiCorp will maintain separate debt and, if outstanding, preferred stock ratings. PacifiCorp will maintain its own corporate credit rating, as well as ratings for each long-term debt and preferred stock (if any) issuance.

16) MEHC and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts. Within 90 days following completion of the transaction, MEHC will provide a preliminary accounting of these costs. Further, MEHC will provide the Commission with a final accounting of these costs within 30 days of the accounting close.

17) MEHC and PacifiCorp will provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to PacifiCorp.

18) PacifiCorp will not make any distribution to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below 40 percent of its total capital without Commission approval. PacifiCorp will notify the Commission if for any reason its common equity capital is reduced to below 44 percent of its total capital for a period longer than three consecutive months. PacifiCorp's total capital is defined as common equity, preferred equity and long-term debt. Long-term debt is defined as debt with a term of one year or more. The Commission and PacifiCorp may reexamine these minimum common equity percentages as financial conditions or accounting standards change, and PacifiCorp may request adjustments.

19) 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.

20) Neither PacifiCorp nor its subsidiaries will, without the approval of the Commission, make loans or transfer funds (other than dividends and payments pursuant to the Intercompany Administrative Services Agreement) to MEHC or its affiliates, or assume any obligation or liability as guarantor, endorser, surety or otherwise for MEHC or its affiliates; provided that this condition will not prevent PacifiCorp from assuming any obligation or liability on behalf of a subsidiary of PacifiCorp. MEHC will not pledge any of the assets of the business of PacifiCorp as backing for any securities which MEHC or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue.

21) 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.

22) MEHC and PacifiCorp guarantee that the customers of PacifiCorp will be held harmless if the transaction between MEHC and PacifiCorp results in a higher revenue requirement for PacifiCorp than if the transaction had not occurred; provided, however, that MEHC and PacifiCorp do not intend that this commitment be interpreted to prevent PacifiCorp from recovering prudently incurred costs approved for inclusion in revenue requirement by the Commission.

23) PacifiCorp will continue a Blue Sky tariff offering in all states. PacifiCorp will continue to support this offering through innovative marketing, by modifying the tariff to reflect the developing green power market and by monitoring national certification standards.

24) PacifiCorp will continue its commitment to gather outside input on environmental matters, such as through the Environmental Forum.

25) 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.

26) MEHC will maintain at least the existing level of PacifiCorp's community-related contributions, both in terms of monetary and in-kind contributions. The distribution of PacifiCorp's community-related contributions among the states will be done in a manner that is fair and equitable to each state.

27) MEHC will continue to consult with regional advisory boards to ensure local perspectives are heard regarding community issues.

28) MEHC will honor PacifiCorp's existing labor contracts.

29) After the closing of the transaction, MEHC and PacifiCorp will make no unilateral changes to employee benefit plans prior to May 23, 2007 that would result in the reduction of employee benefits.

30) PacifiCorp will continue to produce Integrated Resource Plans according to the then current schedule and the then current Commission rules and orders.

31) When acquiring new generation resources in excess of 100 MW and with a dependable life of 10 or more years, PacifiCorp and MEHC will issue Requests for Proposals (RFPs) or otherwise comply with state laws, regulations and orders that pertain to procurement of new generation resources for PacifiCorp.

32) 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.

33) Unless another process is provided by statute, Commission regulations or approved PacifiCorp tariff, MEHC and PacifiCorp encourage the Commission to use the following process for administering the commitments. The Commission should give MEHC and PacifiCorp written notification of any violation by either company of the commitments made in this application. If such failure is corrected within ten (10) business days for failure to file reports, or five (5) business days for other violations, the Commission should take no action. The Commission shall have the authority to determine if the corrective action has satisfied or corrected the violation. MEHC or PacifiCorp may request, for cause, an extension of these time periods. If MEHC or PacifiCorp fails to correct such violations within the specified time frames, as modified by any Commission-approved extensions, the Commission may seek to assess penalties for violation of a Commission order, against either MEHC or PacifiCorp, as allowed under state laws and regulations.

34) Transmission Investment: MEHC and PacifiCorp have identified incremental transmission projects that enhance reliability, facilitate the receipt of renewable resources, or enable further system optimization. Subject to permitting and the availability of materials, equipment and rights-of-way, MEHC and PacifiCorp commit to use their best efforts to achieve the following transmission system infrastructure improvements[1]:

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[1] While MEHC has immersed itself in the details of PacifiCorp's business activities in the short time since the announcement of the transaction, it is possible that upon further review a particular investment might not be cost-effective, optimal for customers or able to be completed by the target date. If that should occur, MEHC pledges to propose an alternative to the Commission with a comparable benefit. The Commission may investigate the reasonableness of any determination by MEHC/PacifiCorp that one or more of the identified transmission investments is not cost-effective or optimal for customers.

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

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

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

35) Other Transmission and Distribution Matters: MEHC and PacifiCorp make the following commitments to improve system reliability:
   a) investment in the Asset Risk Program of $75 million over the three years, 2007-2009,
   b) investment in local transmission risk projects across all states of $69 million over eight years after the close of the transaction,
   c) O & M expense for the Accelerated Distribution Circuit Fusing Program across all states will be increased by $1.5 million per year for five years after the close of the transaction, and
   d) extension of the O&M investment across all states for the Saving SAIDI Initiative for three additional years at an estimated cost of $2 million per year.
   e) MEHC and PacifiCorp will support the Bonneville Power Administration in its development of short-term products such as conditional firm. Based on the outcome from BPA's efforts, PacifiCorp will initiate a process to collaboratively design similar products at PacifiCorp. PacifiCorp will continue its Partial Interim Service product and its tariff provision that allows transmission customers to alter pre-scheduled transactions up to twenty minutes before any hour, and will notify

parties to this proceeding if it proposes changes to these two elements of its OATT.

36) Regional Transmission: MEHC recognizes that it can and should have a role in addressing the critical importance of transmission infrastructure to the states in which PacifiCorp serves. MEHC also recognizes that some transmission projects, while highly desirable, may not be appropriate investments for PacifiCorp and its regulated customers. Therefore, MEHC shareholders commit their resources and leadership to assist PacifiCorp states in the development of transmission projects upon which the states can agree. Examples of such projects would be RMATS and the proposed Frontier transmission line.

37) Reduced Cost of Debt: MEHC believes that PacifiCorp's incremental cost of long-term debt will be reduced as a result of the proposed transaction, due to the association with Berkshire Hathaway. Historically, MEHC's utility subsidiaries have been able to issue long-term debt at levels below their peers with similar credit ratings. MEHC commits that over the next five years it will demonstrate that PacifiCorp's incremental long-term debt issuances will be at least a spread of ten basis points below its similarly rated peers. MEHC's demonstration will include information from a third party industry expert supporting its calculation and conclusion. If MEHC is unable to demonstrate to the Commission's satisfaction that PacifiCorp has achieved at least a ten-basis point reduction, PacifiCorp will accept up to a ten (10) basis point reduction to the yield it actually incurred on any incremental long-term debt issuances for any revenue requirement calculation effective for the five-year period subsequent to the approval of the proposed acquisition. It is projected that this benefit will yield a value roughly equal to $6.3 million over the post-acquisition five-year period.

38) Corporate Overhead Charges: MEHC commits that the corporate charges to PacifiCorp from MEHC and MEC will not exceed $9 million annually for a period of five years after the closing on the proposed transaction. (In FY2006, ScottishPower's net cross-charges to PacifiCorp are projected to be $15 million.).

39) Future Generation Options: In Commitment 31, MEHC and PacifiCorp adopt a commitment to source future PacifiCorp generation resources consistent with the then current rules and regulations of each state. In addition to that commitment, for the next ten years, MEHC and PacifiCorp commit that they will submit as part of any commission approved RFPs for resources with a dependable life greater than 10 years and greater than 100 MW, --including renewable energy RFPs --a 100 MW or more utility "own/operate" alternative for the particular resource. It is not the intent or objective that such alternatives be favored over other options. Rather, the option for PacifiCorp to own and operate the resource which is the subject of the RFP will enable comparison and evaluation of that option against other viable alternatives. In addition to providing regulators and interested parties with an additional viable option for assessment, it can be expected that this commitment will enhance PacifiCorp's ability to increase the proportion of cost-effective renewable energy in its generation

portfolio, based upon the actual experience of MEC and the "Renewable Energy" commitment offered below.

40) Renewable Energy: MEHC reaffirms PacifiCorp's commitment to acquire 1400 MW of new cost-effective renewable resources, representing approximately 7% of PacifiCorp's load. MEHC and PacifiCorp commit to work with developers and bidders to bring at least 100 MW of cost-effective wind resources in service within one year of the close of the transaction.
MEHC and PacifiCorp expect that the commitment to build the Walla-Walla and Path C transmission lines will facilitate up to 400 MW of renewable resource projects with an expected in-service date of 2008 -2010. MEHC and PacifiCorp commit to actively work with developers to identify other transmission improvements that can facilitate the delivery of cost-effective wind energy in PacifiCorp's service area.

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

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

42) Greenhouse Gas Emission Reduction: MEHC and PacifiCorp commit to participate in the Environmental Protection Agency's SF_6 Emission Reduction Partnership for Electric Power Systems. Sulfur hexafluoride (SF_6) is a highly potent greenhouse gas used in the electric industry for insulation and current interruption in electric transmission and distribution equipment. Over a 100-year period, SF_6 is 23,900 times more effective at trapping infrared radiation than an equivalent amount of CO_2, making it the most highly potent, known greenhouse gas. SF_6 is also a very stable chemical, with an atmospheric lifetime of 3,200 years. As the gas is emitted, it accumulates in the atmosphere in an essentially un-degraded state for many centuries. Thus, a relatively small amount of SF_6 can have a significant impact on global climate change. Through its participation in the SF_6 partnership, PacifiCorp will commit to an appropriate SF_6 emissions reduction goal and annually report its estimated SF_6 emissions. This not only reduces greenhouse gas emissions, it saves money and improves grid reliability. Since 1999, EPA's SF_6 partner companies have saved $2.5 million from the avoided gas loss alone. Use of improved SF_6 equipment and management practices helps protect system reliability and efficiency. Additionally, PacifiCorp will develop a strategy to identify and implement cost-effective measures to reduce PacifiCorp's greenhouse gas emissions.

43) Emission Reductions from Coal-Fueled Generating Plants: Working with the affected generation plant joint owners and with regulators to obtain required approvals, MEHC and PacifiCorp commit to install the equipment likely to be necessary under future emissions control scenarios at a cost of approximately $812

million. Concurrent with any application for an air permit, MEHC and PacifiCorp will discuss its plans regarding this commitment with interested parties and solicit input. While additional expenditures may ultimately be required as future emission reduction requirements become better defined, MEHC believes these investments in emission control equipment are reasonable and environmentally beneficial. The execution of an emissions reduction plan for the existing PacifiCorp coal-fueled facilities, combined with the use of reduced-emissions coal technology for new coal-fueled generation, is expected to result in a significant decrease in the emissions rate of PacifiCorp's coal-fueled generation fleet. The investments to which MEHC is committing are expected to result in a decrease in the SO_2 emissions rates of more than 50%, a decrease in the NO_x emissions rates of more than 40%, a reduction in the mercury emissions rates of almost 40%, and no increase expected in the CO_2 emissions rate.

44) Energy Efficiency and DSM Management:
   a) MEHC and PacifiCorp commit to conducting a company-defined third-party market potential study of additional DSM and energy efficiency opportunities within PacifiCorp's service areas. The objective of the study will be to identify opportunities not yet identified by the company and, if and where possible, to recommend programs or actions to pursue those opportunities found to be cost-effective. The study will focus on opportunities for deliverable DSM and energy efficiency resources rather than technical potentials that may not be attainable through DSM and energy efficiency efforts. On-site solar and combined heat and power programs may be considered in the study. During the three-month period following the close of the transaction, MEHC and PacifiCorp will consult with DSM advisory groups and other interested parties to define the proper scope of the study. The findings of the study will be reported back to DSM advisory groups, commission staffs, and other interested stakeholders and will be used by the Company in helping to direct ongoing DSM and energy efficiency efforts. The study will be completed within fifteen months after the closing on the transaction, and MEHC shareholders will absorb the first $1 million of the costs of the study.
   b) PacifiCorp further commits to meeting its portion of the NWPPC's energy efficiency targets for Oregon, Washington and Idaho, as long as the targets can be achieved in a manner deemed cost-effective by the affected states.
   c) In addition, MEHC and PacifiCorp commit that PacifiCorp and MEC will annually collaborate to identify any incremental programs that might be cost-effective for PacifiCorp customers. The Commission will be notified of any additional cost-effective programs that are identified.

45) Customer Service Standards: MEHC and PacifiCorp commit to continue customer service guarantees and performance standards as established in each jurisdiction, provided that MEHC and PacifiCorp reserve the right to request modifications of the guarantees and standards after March 31, 2008, and the right to request termination (as well as modification) of one or more guarantees or standards after 2011. The

guarantees and standards will not be eliminated or modified without Commission approval.

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

47) Corporate Presence (All States): MEHC understands that having adequate staffing and representation in each state is not optional. We understand its importance to customers, to regulators and to states. MEHC and PacifiCorp commit to maintaining adequate staffing and presence in each state, consistent with the provision of safe and reliable service and cost-effective operations.

48) IRP Stakeholder Process: PacifiCorp will provide public notice and an invitation to encourage stakeholders to participate in the Integrated Resource Plan (IRP) process. The IRP process will be used to consider Commitments 34, 39, 40, 41 and 44. PacifiCorp will hold IRP meetings at locations or using communications technologies that encourage broad participation.

49) Reporting on Status of Commitments: By June 1, 2007 and each June 1 thereafter through June 1, 2011, PacifiCorp will file a report with the Commission regarding the implementation of the Commitments. The report will, at a minimum, provide a description of the performance of each of the commitments that have quantifiable results. If any of the commitments is not being met, relative to the specific terms of the commitment, the report shall provide proposed corrective measures and target dates for completion of such measures. PacifiCorp will make publicly-available at the Commission non-confidential portions of the report.

50) Pension Funding Policy: PacifiCorp will maintain its current pension funding policy, as described in the 2005 Actuarial Report, for a period of two years following the close of the transaction.

Idaho-Specific Commitments

I 1. MEHC/PacifiCorp will continue to make a dedicated Irrigation Specialist available in Rexburg and Shelley in the Idaho service territory. The effectiveness of this service will be reviewed at the end of the 2007 irrigation season to determine whether it should be continued. The Irrigation Hotline will continue to be available Monday through Saturday, except holidays, from 7 AM to 7 PM, with the number published in the phone directory.

I 2. Water Rights agreements will be abided by MEHC and PacifiCorp.

I 3. MEHC and PacifiCorp will provide the Commission access to corporate minutes, including Board of Director's minutes and all committee minutes, along with any

related source documents that are relevant to the business and risk analysis of PacifiCorp. PacifiCorp and the Commission Staff will establish an agreeable procedure to review these confidential documents in Portland, Oregon, Salt Lake City, Utah or Boise, Idaho.

I 4. MEHC and PacifiCorp will provide the Commission access to operational, internal and risk audit reports and documentation. PacifiCorp and the Commission Staff will establish an agreeable procedure to review these confidential documents and the timeline to provide an annual listing of such audits.

I 5. A near-final draft agreement for PPW Holdings LLC that contains the ring-fencing provisions of Commitment 11 will be sent to the Commission Staff by January 15, 2006. The final signed agreement will be filed with the Commission within 30 days after the close of the transaction.

I 6. Within 30 days of the close of the transaction, PacifiCorp will provide the Commission with a written list of changes that were made to employee benefit plans between the announcement of the transaction and the close of the transaction. PacifiCorp and MEHC will provide 30 days' notice to the Commission prior to merging PacifiCorp's pension with the pension plan of another MEHC business.

I 7. Through December 31, 2015, PacifiCorp will provide the Commission notice when it intends to increase the amount of dividend payments by 10% or more.

I 8. As part of the DSM study in Commitment 44, PacifiCorp will also consider the market potential associated with the expansion of existing programs, including the Irrigation and Monsanto load curtailment programs in Idaho. The study will compare the cost effectiveness of DSM resources with comparable supply side resources.

I 9. MEHC and PacifiCorp commit to maintain a bid evaluation methodology that prudently compares any company owned and operated alternative to valid and conforming bid proposals submitted in response to a supply-side RFP.

I 10. On January 31, 2005, the Commission accepted PacifiCorp's proposal to eliminate its Network Performance Standard relating to Momentary Average Interruption Frequency Index (MAIFI) in light of the Company's commitment to develop an acceptable alternative to MAIFI as soon as possible. The Company has developed its proposed measurement plan and is scheduled to present to the Commission Staff at its next reliability meeting (scheduled for December 20, 2005). Within 60 days after this meeting, the Company will file the plan with the Commission. MEHC and PacifiCorp commit to implement this plan and provide the results of these calculations to Commission Staff and other interested parties in reliability review meetings.

I 11. PacifiCorp is required to apply to the Commission for approval of security issuances pursuant to Idaho Code Title 61, Chapter 9. PacifiCorp will not seek an exemption from this requirement for twelve months following the closing of this transaction. Staff will evaluate the "all-in-cost" of issuances for inclusion in rates and as it relates to the Reduced Cost of Debt Commitment 37.

I 12. MEHC and PacifiCorp acknowledge that the Commitments being made by MEHC and PacifiCorp are binding only upon them and their affiliates where noted (and upon Berkshire Hathaway where specifically mentioned). In this proceeding Applicants are not requesting a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the Commitments. In other appropriate proceedings, the parties may take positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in these Commitments as the parties deem appropriate.

I 13. With respect to the Low Income Weatherization Program managed by community action agencies in Idaho, PacifiCorp commits to the following:

a) Within 30 days of completion of the transaction, PacifiCorp will file proposed revisions to its Schedule 21 Tariff to effect a change in funding of conservation measures from 50% of measure cost to 100% of measure cost when federal matching funds are no longer available to fund measures at PacifiCorp customer's premise, subject to the $150,000 annual funding limit in the tariff.

b) In PacifiCorp's next Idaho general rate case, PacifiCorp will include in its direct testimony an analysis of the costs and benefits of changing its current practice of matching 50% of federal contributions to matching at a higher percentage amount.

I 14. MEHC and PacifiCorp commit up to $20,000 annually for five years to match Idaho customer and employee contributions to Lend-a-Hand. This contribution will be recorded in non-utility accounts. When appropriate, MEHC and PacifiCorp commit to work with low-income advocates and consumer groups to evaluate additional matching contributions.

I 15. MEHC commits to provide shareholder funds to hire a consultant to study and design for possible implementation an arrearage management project for low-income customers. PacifiCorp will provide a resource for facilitation of a working group to oversee the project. The project will be developed by PacifiCorp in conjunction with the Idaho Public Utilities Commission, the Utah Division of Public Utilities, the Utah Committee for Consumer Services, low-income advocates and other interested parties. The goals of the project will include reducing service terminations, reducing referral of delinquent customers to third party collection agencies, reducing arrearages and collection litigation, and increasing voluntary customer payments of arrearages. The amount of shareholder funds for this study will be up to $66,000 on a total company basis if all six PacifiCorp states elect to

participate. If less than six states participate, the amount of the shareholder funds will be reduced proportionally.

I 16. 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.

I 17. 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.

I 18. 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. By this commitment, MEHC and PacifiCorp are not agreeing or otherwise committing to waive any arguments that they might have pertaining to a symmetrical expense adjustment based on the regulatory theory of the matching principle in the event a party in a proceeding before the Commission proposes an adjustment to PacifiCorp's revenue requirement associated with the imputation of benefits (other than those benefits committed to in this transaction) accruing from PPW Holdings LLC, MEHC, or affiliates. MEHC and PacifiCorp acknowledge that neither the Commission nor any party to this proceeding is being asked to agree with or accept any such arguments or to waive any right to assert or adopt such positions regarding the prudence, just and reasonable character, rate or ratemaking impact or treatment, or public interest as they deem appropriate pertaining to this commitment.

I 19 PacifiCorp will provide semi annual reports to the Commission and Commission Staff describing PacifiCorp's performance in meeting service standard commitments, including both performance standards and customer guarantees.

I 20. PacifiCorp will provide to the Commission, on an informational basis, credit rating agency news releases and final reports regarding PacifiCorp when such reports are known to PacifiCorp and are available to the public.

I 21. MEHC commits that immediately following the closing of the transaction, the acquiring company (PPW Holdings LLC) will have no debt in its capital structure. MEHC and PacifiCorp commit to provide the Commission 30 days prior notice if PPW Holdings LLC ever intends to issue debt. MEHC and PacifiCorp acknowledge that if PPW Holdings LLC does issue debt, the Commission has the authority to consider whether additional ring-fencing provisions may be appropriate.

I 22. MEHC and PacifiCorp commit to form an IGCC Working Group, sponsored by PacifiCorp to discuss various policy and technology issues associated with IGCC, carbon capture, and sequestration. Working Group members would include

representatives from major stakeholder and regulatory groups, PacifiCorp and MEHC officials, and others as appropriate. Some issues and challenges to development that would be considered by the Working Group would include:

- the status of development of carbon sequestration policy and methods, including requirements for monitoring and verifying sequestration options;
- information sharing, so that, to the extent possible, all parties develop a shared understanding of expected IGCC technology benefits, expected capital and O&M costs, and potential risks;
- information sharing to understand such terms and associated requirements with concepts such as "carbon capture ready" and "permanent sequestration";
- issues related to technology of and permitting for IGCC air emissions, waste disposal, water use and site usage;
- commercial terms and conditions associated with IGCC plant development, construction, and maintenance; and
- implications of SB 26 on development of IGCC plants given the implications of long development lead times, development costs, project risk, and cost uncertainty.

The IGCC Working Group would meet periodically to discuss the above issues and identify possible solutions, and to stay abreast of the evolving technology and commercial environment.

I 23. PacifiCorp agrees to include the following items in the 2006 IRP:

a) a wind penetration study to reappraise wind integration costs and cost-effective renewable energy levels; and
b) an assessment of transmission options for PacifiCorp's system identified in the RMATS scenario 1 related to facilitating additional generation at Jim Bridger and, on equal footing, new cost-effective wind resources.

I 24. At the time of the closing of the transaction, MEHC will file with the Commission a letter from Berkshire Hathaway committing to be bound by Commitments 4 and 5 and any other commitments applicable to affiliates of MEHC.

I 25. The scope of the "most favored nation" commitment contained in Section III of the Stipulation will extend to and include any resolution or settlement prior to closing of the transaction of any procedural, jurisdictional or federal law issues or disputes raised in *PacifiCorp vs. Rob Hurless*, Case No. CV-04-031J, United States District Court, District of Wyoming, regardless of the manner, context or proceeding in which any such settlement or resolution paid in connection with such settlement or resolution, to the extent such settlement or resolution includes any kind of ongoing waiver, or agreement to litigate in state tribunals, of any federal preemption, filed rate doctrine or similar federal issues, or any other limitation, condition or waiver of federal jurisdiction or federal forum as it relates to state ratemaking (referred to hereinafter as a procedural limitation clause ("PLC")). If any PLC is agreed to by PacifiCorp in any such settlement or resolution, PacifiCorp agrees to identify the PLC in stand-alone language and MEHC agrees to include such PLC as a deemed

commitment to the Wyoming transaction docket and by virtue of the most favored nations clause referred to above, the PLC will be available for adoption in Idaho pursuant to the procedures in the Stipulation.

I 26. MEHC and PacifiCorp will supplement the report filed with the Commission, pursuant to Commitment 49 by including information regarding the implementation of each of the Idaho-Specific Commitments I 1 through I 25.

N:PACE0508_Commitments_dh

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 20TH DAY OF DECEMBER 2005, SERVED THE FOREGOING **TESTIMONY OF TERRI CARLOCK,** IN CASE NO. PAC-E-05-8, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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