

IDAHO PUBLIC UTILITIES COMMISSION

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IDAHO PUBLIC
UTILITIES COMMISSION

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

SUPPLEMENTAL TESTIMONY OF TERRI CARLOCK

IDAHO PUBLIC UTILITIES COMMISSION

JANUARY 13, 2006

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. Are you the same Terri Carlock that submitted
9 direct testimony in this case on December 20, 2005?

10 A. Yes, I am.

11 Q. What is the purpose of your supplemental
12 testimony?

13 A. I am providing updated information to the
14 Commission and parties to this case related to the
15 additional Commitments by PacifiCorp and MidAmerican
16 Energy Holdings Company (MEHC) in the Oregon Stipulation
17 that Staff recommends be adopted as Idaho-Specific
18 Commitments in this case. At the time the Idaho
19 Stipulation (Exhibit No. 101) and direct testimony in this
20 case were filed, Staff had the opportunity to review the
21 Stipulations and Commitments in California and Utah. The
22 Oregon Stipulation with additional Commitments was filed
23 after the Idaho Settlement Stipulation. My supplemental
24 testimony and Staff Exhibit No. 102 focuses on the Oregon
25 Commitments and recommendations for adoption and inclusion

1 in Idaho.

2 Q. Why review the Oregon Commitments now?

3 A. The "most favored nation" clause set forth in
4 the Idaho Stipulation Section III and Idaho Commitment 25
5 allows this Commission to review and adopt Commitments
6 from the other five states. Reviewing the Oregon
7 Commitments now will simplify adoption and shorten the
8 required review after the final Orders in the various
9 states are issued. Any additional requirements, primarily
10 in the Washington and Wyoming proceedings, will remain for
11 the final review and adoption process set forth in the
12 Idaho Stipulation.

13 Q. The Idaho Stipulation and Commitments, Exhibit
14 No. 101, lists 50 General Commitments applicable to all
15 states. Do you recommend any modifications to the General
16 Commitments based upon your review of the Oregon
17 Stipulation and Commitments?

18 A. Yes, I recommend some modifications. The
19 modifications I am recommending be adopted provide
20 additional benefits or clarification above and beyond
21 those General Commitments originally included in Exhibit
22 No. 101 for Idaho. I would also observe that there are
23 clarifications and other variations in the Oregon
24 Stipulation that will benefit Idaho but do not necessitate
25 changes being recommended to the Idaho Settlement.

1 The recommended modifications are for General
2 Commitment Nos. 11, 17, 18, 22, 37, 38, and 48. I also
3 recommend adding two new General Commitments, Nos. 51 and
4 52. These Commitments are shown on Staff Exhibit No. 102.
5 I will discuss each of these changes individually.

6 Q. Please explain each modification Staff
7 recommends for the Commitments Applicable to All States.

8 A. The change to General Commitment No. 11
9 clarifies ring-fencing provisions with the attachment of
10 Appendix 1. Appendix 1 titled "PPW Holdings LLC
11 Ringfencing Provisions" is included in Exhibit No. 102.
12 The final signed ring-fencing document will still be filed
13 with the Commission as required in Idaho-Specific
14 Commitment No. 5 (I-5).

15 The adoption of Oregon General Commitment No. 17
16 provides clarification related to unrestricted access to
17 written information and documents used for credit rating
18 purposes.

19 Adoption of Oregon General Commitment No. 18
20 provides additional detail related to the restriction of
21 dividend payments when common equity ratios don't exceed
22 the percentage floors identified. Detail on how the
23 ratios will be calculated is also included in this
24 Commitment. General Commitment No. 18 is included for
25 dividend restrictions only and is not intended by the

1 parties as a ratemaking provision that impacts rates.

2 Staff next recommends that General Commitment
3 Nos. 22, 37 and 38 be noted as intentionally left blank.
4 They are replaced with Oregon-Specific Commitment Nos.
5 O-9, O-11, O-12, and O-14. These four new Commitments
6 will be discussed later as Idaho-Specific Commitment Nos.
7 I-28, I-30, I-31 and I-32.

8 Next, General Commitment Nos. 51 and 52 are
9 added to reflect the ownership transfer to PacifiCorp of
10 the Intermountain Geothermal Company and the associated
11 steam rights to the steam resources serving PacifiCorp's
12 Blundell geothermal plant. This Commitment will eliminate
13 some affiliate transactions and payments for steam
14 purchases at Blundell thus reducing the annual steam
15 costs. It also allows for expansion of the plant and
16 purchase of additional steam rights where cost-effective.

17 Finally General Commitment No. 48 should be
18 modified to add the reference to Commitment No. 52 in the
19 IRP consideration list.

20 Q. Are there Oregon-Specific Commitments that you
21 recommend being adopted as Idaho-Specific Commitments in
22 this case?

23 A. Yes, I recommend adoption in whole or in part of
24 Oregon-Specific Commitment Nos. 5, 7, 8, 9, 10, 11, 12,
25 14, 15, 16, 17, 18, 21 and 22. These Commitments if

1 adopted will replace or will be added to existing Idaho-
2 Specific Commitments as shown on Staff Exhibit No. 102.
3 The current Idaho-Specific Commitment No. I-26 will be
4 modified to become No. I-36 to include all the recommended
5 Idaho-Specific Commitments.

6 Q. Please explain the benefits to Idaho if these
7 modified or additional Idaho-Specific Commitments shown on
8 Exhibit No. 102 are adopted.

9 A. Idaho-Specific Commitment No. I-14 is replaced
10 with modified Oregon-Specific Commitment No. O-22. It
11 establishes an annual contribution of \$40,000 to the Lend-
12 a-Hand program that assists low-income residential
13 customers. It is superior because it does not limit
14 PacifiCorp and MidAmerican contributions to simply
15 matching customer and employee contributions up to a
16 maximum amount of \$20,000. If customer and employee
17 contributions were less than \$20,000 (which has been the
18 case for PacifiCorp's Idaho service territory
19 historically), the matching contribution would also be
20 less than \$20,000, making the total contribution less than
21 the \$40,000 fixed amount guaranteed under I-14 (O-22).
22 I-14 now provides a predictable funding amount rather than
23 an amount that varies depending on the generosity of
24 parties other than the Applicants.

1 Idaho-Specific Commitment No. I-15 is replaced
2 with modified O-21. It improves upon the provisions of
3 I-15 by setting timelines for the proposed arrearage
4 management project and establishing the \$66,000 project
5 funding level as a floor rather than a ceiling.

6 Idaho-Specific Commitment No. I-21 is replaced
7 with modified O-15 to be consistent with General
8 Commitment No. 18 Applicable to all states. It also
9 strengthens or reinforces the ring-fencing language and
10 provisions.

11 Idaho-Specific Commitment No. I-24 is replaced
12 with O-5 to provide clarification and to strengthen or
13 reinforce the ring-fencing language and provisions.

14 I recommend that Oregon-Specific Commitment Nos.
15 O-7 through O-12 become Idaho-Specific Commitment Nos.
16 I-26 through I-31. These Oregon-Specific Commitments
17 provide additional structure to implement the hold
18 harmless clauses already recommended in the Idaho
19 Stipulation and Commitments (Exhibit No. 101) and provide
20 for rate credits. The rate credits in I-27 and I-31
21 provide additional benefits to Idaho customers of
22 approximately \$640,000 annually for test years 2006 and
23 2007. The rate credits will then decline until eliminated
24 in a 2011 test year. The hold harmless provisions as
25 structured and clarified in I-28 through I-30 guarantee

1 that approximately \$820,000 annually in costs will not be
2 reflected in Idaho rates for test years 2006 through 2010
3 with approximately \$380,000 annually thereafter.

4 Idaho-Specific Commitment No. I-32 replaces
5 Commitment No. 37 applicable to all states. This is
6 beneficial to Idaho by protecting customers from any
7 credit rating downgrades caused by actions resulting from
8 this transaction during the first year. The debt cost
9 adjustment for each notch of credit rating downgrade will
10 reduce debt costs until the debt issuance is no longer
11 outstanding. This Commitment I-32 must be compared to
12 I-37 as only one of these adjustments is available in the
13 guarantee. Since PacifiCorp's Rating Outlook is negative,
14 it is possible that a credit rating downgrade could occur,
15 making I-32 beneficial. The actual debt costs as
16 discussed in I-37 can still be lower than rates for
17 comparable companies even without the guarantee.

18 Idaho-Specific Commitment Nos. I-33 through I-35
19 should be adopted to strengthen or reinforce the ring-
20 fencing language and provisions.

21 Q. Are there other provisions in the Oregon
22 Stipulation that should be adopted in this Idaho case?

23 A. Yes, paragraph 10 of the Oregon Stipulation
24 should be adopted in concept in the Idaho Order. This
25 addition strengthens or reinforces the ring-fencing

1 language and provisions. Instead of making Berkshire
2 Hathaway an Applicant in this Idaho case, paragraph 10 can
3 be adopted by having the sworn statements filed as
4 follows:

5 The sworn statements of Warren Buffett and
6 Walter Scott, Jr. (together, the shareholders)
7 will provide that neither will exercise any
8 control, directly or indirectly, on matters that
9 pertain to PacifiCorp (except for matters
10 relating to PacifiCorp that are ministerial in
11 nature). The sworn statements will also provide
12 that the Shareholders will recuse themselves
13 from voting as MEHC or Berkshire Hathaway
14 directors on MEHC or Berkshire Hathaway Board of
15 Directors matters concerning PacifiCorp
16 activities or operations. The sworn statements
17 will provide that the future transfer of the
18 Shareholders' shares will require an agreement
19 by the transferee to abide by the limitations
20 recited above, as applicable, regarding the
21 power to exercise substantial influence over
22 PacifiCorp if, to the Shareholders' knowledge,
23 the transferee would own 5% or more of the
24 voting interests of MEHC or Berkshire Hathaway
25 after such transfer. By the foregoing, the
Shareholders, PacifiCorp, MEHC and Berkshire
Hathaway do not concede that such transferees
are affiliated interests...

18 Q. Does this conclude your supplemental testimony
19 in this proceeding?

20 A. Yes, it does.

Staff Recommended

Modification to Idaho Commitments

January 2006

General Commitments Applicable to All States:

- 11) a) 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. This condition will not prohibit MEHC or its affiliates other than PacifiCorp from holding diversified businesses.
- b) Ring-fencing provisions for PPW Holdings LLC will include the provisions in Appendix 1. These provisions have been derived from those in effect for NNGC Acquisition, LLC as of December 1, 2005.
- 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 or MEHC. Berkshire Hathaway and MEHC will also provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to MEHC's subsidiaries to the extent such information may potentially impact PacifiCorp.
- 18) a) MEHC and PacifiCorp commit that PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below the following percentages of its Total Capital without Commission approval:
- 48.25% from the date of the close of the transaction through December 31, 2008;
 - 47.25% from January 1, 2009, through December 31, 2009;
 - 46.25% from January 1, 2010 through December 31, 2010;
 - 45.25% from January 1, 2011 through December 31, 2011;
 - 44.00% after December 31, 2011.
- b) PacifiCorp's Total Capital is defined as common equity, preferred equity and long-term debt. Long-term debt is defined as debt with a term of more than one year. For purposes of calculating the numerator of the percentage, common equity will be increased by 50% of the remaining balance of preferred stock that was in existence prior to the acquisition of PacifiCorp by MEHC. PacifiCorp and MEHC will work with Commission staff to determine a percentage of common equity credit to apply to preferred stock issued by PacifiCorp after the acquisition of PacifiCorp by MEHC. In the absence of such an agreement between Commission staff and the Companies, MEHC and

PacifiCorp agree to treat new issuances of preferred stock as 100% debt, unless a Commission order approves a different percentage.

- c) MEHC and PacifiCorp commit that PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC that will reduce PacifiCorp's common equity capital below 35% of its Total Adjusted Capital without Commission approval. For purposes of calculating the numerator of the percentage, common equity will not include any portion of PacifiCorp preferred stock issued and outstanding. PacifiCorp's Total Adjusted Capital is defined as common equity, preferred equity, long-term debt, short-term debt and capitalized lease obligations.
- d) The Commission, on its own motion or at the request of any party, may reexamine the minimum common equity percentages as financial conditions or accounting standards warrant.
- 22) [This Commitment number has intentionally been left blank. Commitment 22 is not available if a state selects Oregon-Specific Commitment 0 12 as Staff recommends in Idaho-Specific Commitment No. I 31.]
- 37) [This Commitment number has intentionally been left blank. Commitment 37 is not available if a state selects Oregon-Specific Commitment 0 14 as Staff recommends in Idaho-Specific Commitment No. I 32.]
- 38) [This Commitment number has intentionally been left blank. Commitment 38 is not available if a state selects Oregon-Specific Commitments 0 9 and 0 11 as Staff recommends in Idaho-Specific Commitment Nos. I 28 and I 30.]
- 48) 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, 44 and 52. PacifiCorp will hold IRP meetings at locations or using communications technologies that encourage broad participation.
- 51) Subject to, and in consideration for, dismissal of all existing proceedings and no commencement of any future state regulatory proceeding against PacifiCorp involving or arising from the SEC PUIHCA Audit Report of ScottishPower dated May 11, 2004, MEHC will contribute to PacifiCorp, at no cost to PacifiCorp, MEHC's stock ownership in the Intermountain Geothermal Company and the associated steam rights (approximately 70% of the total rights) to the steam resources serving PacifiCorp's Blundell geothermal plant and terminate MEHC's and Intermountain Geothermal Company's rights and obligations under the contracts. MEHC will assist PacifiCorp in determining the cost-effectiveness of acquiring the remaining 30% of the rights. No more than six months after the close of the transaction, MEHC will provide parties a clear and complete disclosure statement that

details any potential liabilities and risks, identified by or for MEHC, associated with the ownership rights of MEHC in Intermountain Geothermal. MEHC also commits that PacifiCorp customers will not be harmed from the contribution to PacifiCorp of the Intermountain Geothermal steam resources and stock.

- 52) Upon closing, MEHC and PacifiCorp commit to immediately evaluate increasing the generation capacity of the Blundell geothermal facility by the amount determined to be cost-effective. Such evaluation shall be summarized in a report and filed with the Commission concurrent with the filing of PacifiCorp's next IRP. This incremental amount is expected to be at least 11 MW and maybe as much as 100 MW. All cost effective increases in Blundell capacity, completed before January 1, 2015, should be counted toward satisfaction of PacifiCorp's 1400 MW renewable energy goal, in an amount equal to the capacity of geothermal energy actually added at the plant.

Idaho-Specific Commitments:

Modified or added as a result of Oregon-Specific Commitments.

- I 14 (O 22) MEHC and PacifiCorp commit to a total contribution level for Idaho low income bill payment assistance in the amount of \$40,000 annually, for a five year period beginning July 1, 2006. The contributions may be comprised of contributions from corporate, employee, other sources, and customer donations. The corporate contribution will be recorded in non-utility accounts. Before the end of the five-year period, MEHC and PacifiCorp commit to work with low income advocates and customer groups to evaluate additional contributions.
- I 15 (O 21) MEHC commits to provide shareholder funding to hire a consultant to study and design for possible implementation of an arrearage management project for low income customers that could be made applicable to Idaho and other states that PacifiCorp serves. PacifiCorp will provide a resource for facilitation of a working group to oversee the project. The study shall commence no later than 180 days after close of the transaction and be completed, through the issuance of a formal report to the Commission, no later than 365 days after close of the transaction. MEHC recognizes that such a program may have to be tailored to best fit the unique low-income environment of each individual state. The project will be developed by PacifiCorp in conjunction with the relevant regulatory and governmental agencies, low-income advocates, and other interested parties in each state that is interested in participating. The goals for the project will include reducing service terminations, reducing referral of delinquent customers to third party collection agencies, reducing collection litigation and reducing arrearages and increasing voluntary customer payments of arrearages. The costs of this study will be at least \$66,000 on a total company basis paid for by shareholders. If less than six states participate, the amount of the shareholder funds will be reduced proportionally.
- I 21 (O 15)
a) 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 that the consolidated capital structure of PPW Holdings LLC will not contain common equity capital below the following percentages of its Total Capital as defined in Commitment 18b:
- 48.25% from the date of the close of the transaction through December 31, 2008;
 - 47.25% from January 1, 2009 through December 31, 2009;
 - 46.25% from January 1, 2010 through December 31, 2010;
 - 45.25% from January 1, 2011 through December 31, 2011;
 - 44.00% after December 31, 2011.

- b) MEHC and PacifiCorp commit that the consolidated capital structure of PPW Holdings LLC will not contain common equity capital below 35% of its Total Adjusted Capital as defined in Commitment 18c.
- c) MEHC will provide the Commission 30 days prior notice if PPW Holdings LLC intends to issue debt. MEHC and PacifiCorp acknowledge that if PPW Holdings LLC does issue debt, the Commission has the authority to consider additional ring-fencing provisions that may be appropriate.

I 24 (O 5) Berkshire Hathaway acknowledges the Commitments made by MEHC and PacifiCorp and will not impede satisfaction of the Commitments. Berkshire Hathaway acknowledges that it is bound by Commitments 4, 5 and 17 and that it is subject to Commitments that are applicable to the affiliates of PacifiCorp and MEHC; provided, however, that Berkshire Hathaway does not guarantee or agree to be responsible for performance of Commitments made by MEHC and PacifiCorp.

I 26 (O 7) MEHC and PacifiCorp commit to \$142.5 million (total company amount) of offsetable rate credits as reflected in Appendix 2 and as described in the following Commitments I 27 through I 31 (0 8 through 0 12). These rate credits will be reflected in rates on the effective date of new rates as determined by the Commission in a general rate case. The rate credits will terminate on December 31, 2010, to the extent not previously offset, unless otherwise noted. The rate credits in Commitments I 27 and I 31 (0 8 and 0 12) are subject to deferred accounting as specified therein. Where total company values are referenced, the amount allocated to Idaho will equal the Idaho-allocated amount using Commission-adopted allocation factors.

I 27 (O 8)
a) MEHC and PacifiCorp commit to reduce the annual non-fuel costs to PacifiCorp customers of the West Valley lease by \$0.4 17 million per month (total company) or an expected \$3.7 million in 2006 (assuming a March 31, 2006 transaction closing), \$5 million in 2007 and \$2.1 million in 2008 (the lease terminates May 31, 2008), which shall be the amounts of the total company rate credit. Beginning with the first month after the close of the transaction to purchase PacifiCorp, Idaho's share of the monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. (This commitment is reflected in Row 1 of Appendix 2.)

- b) This commitment is offsetable, on a prospective basis, to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that such West Valley non-fuel cost savings:
- i) are reflected in PacifiCorp's rates; and,
 - ii) there are no offsetting actions or agreements by MEHC or PacifiCorp for which value is obtained by PPM or an affiliated company, which, directly or indirectly, increases the costs PacifiCorp would otherwise incur.

I 28 (O 9)

- a) MEHC and PacifiCorp will hold customers harmless for increases in costs retained by PacifiCorp that were previously assigned to affiliates relating to management fees. The total company amount assigned to PacifiCorp's affiliates is \$1.5 million per year, which is the amount of the total company rate credit. This commitment expires on December 31, 2010. This Commitment is in lieu of Commitment 38, and a state must choose between this Commitment I 28 (O 9) and Commitment 38. (The commitment is reflected in Row 2 of Appendix 2).

- b) This commitment is offsetable to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case the following:
- i) Corporate allocations from MEHC to PacifiCorp included in PacifiCorp's rates are less than \$7.3 million;
 - ii) Costs associated with functions previously carried out by parents to PacifiCorp and previously included in rates have not been shifted to PacifiCorp or otherwise included in PacifiCorp's rates; and
 - iii) Costs have not been shifted to operational and maintenance accounts (FERC accounts 500-598), customer accounts (FERC accounts 901-905), customer service and informational accounts (FERC accounts 907-910), sales accounts (FERC accounts 911-916), capital accounts, deferred debit accounts, deferred credit accounts, or other regulatory accounts.

I 29 (O 10)

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

ScottishPower's captive insurance affiliate as \$4.3 million annually, which shall be the amount of the total company rate credit. This commitment expires on December 31, 2010.

- b) This commitment is offsetable if PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, the costs included in PacifiCorp's rates for such insurance coverage is not more than \$7.4 million (total company). (This commitment is reflected in Row 3 in Appendix 2.)

I 30 (O 11)

- a) MEHC and PacifiCorp will hold customers harmless for increases in costs resulting from PacifiCorp corporate costs previously billed to PPM and other former affiliates of PacifiCorp. Oregon Commission Staff has valued the potential increase in total company revenue requirement if these costs are not eliminated as \$7.9 million annually (total company) through December 31, 2010 and \$6.4 million annually (total company) from January 1, 2011 through December 31, 2015, which shall be the amounts of the total company rate credit. This commitment shall expire on the earlier of December 31, 2015 or when PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp's rates. This Commitment is in lieu of Commitment 38, and a state must choose between this Commitment I 30 (O 11) and Commitment 38.
- b) This commitment is offsetable to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp's rates. (The commitment is reflected in Row 4 of Appendix 2.)

I 31 (O 12)

- a) MEHC and PacifiCorp commit that PacifiCorp's total company A&G costs will be reduced by \$6 million annually based on the A&G categories, assumptions, and values contained in Appendix 3 titled, "UM 1209 A & G Stretch". The amount of the total company rate credit is \$6 million per year. This commitment expires December 31, 2010. Beginning with the first month after the close of the transaction, Idaho's share of the \$0.5 million monthly rate credit will be deferred for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. This Commitment is in lieu of Commitments 22 and U 23 from the Utah settlement, and a state must choose between this Commitment I 31 (O 12) and Commitments 22 and U 23.

- b) The credit will be offsettable, on a prospective basis, by the amount that PacifiCorp demonstrates to the Commission's satisfaction, in a general rate case, that total company A&G expenses included in PacifiCorp's rates are lower than the benchmark and have not been shifted to other regulatory accounts. The 2006 benchmark will be \$228.8 million. Subsequent benchmarks shall equal the 2006 benchmark multiplied by the ratio of the Global Insight's Utility Cost Information Service (UCIS)-Administrative and General — Total Operations and Maintenance Index (INDEX CODE Series JEADGOM), for the test period divided by the 2006 index value. If another index is adopted in a future PacifiCorp case, that index will replace the aforementioned index and will be used on a prospective basis only. If this occurs, the benchmark for future years will equal the benchmark from the rate case in which a new index was adopted multiplied by the ratio of the new index for the test period divided by the index value for the first year that the index is adopted.

I 32 (O 14)

- a) In the event of a ratings downgrade by two or more rating agencies of PacifiCorp's senior long-term debt that occurs within 12 months after the Commission approves the Transaction or issues an order adopting acquisition commitments from other PacifiCorp states, whichever comes later (the "Baseline Date"), and at least one such agency identifies issues related to MEHC's acquisition of PacifiCorp as a cause of the ratings downgrade, the assumed yield for any incremental debt issued by PacifiCorp after the downgrade will be reduced by 10 basis points for each notch that PacifiCorp is downgraded below PacifiCorp's rating on the Baseline Date. Such adjustment will continue until the debt is no longer outstanding. In the case where one rating agency issues a rating downgrade, but not two or more rating agencies, denoted as a split rating, the adjustment shall be 5 basis points for each notch. The adjustment imposed by this commitment will be eliminated for debt issuances following the ratings upgrade of PacifiCorp equal to the rating on the Baseline Date. This Commitment is in lieu of Commitment 37, and a state must choose between this Commitment I 32 (O 14) and Commitment 37.
- b) In the event that debt issued by PacifiCorp within 12 months after the Baseline Date is recalled and refinanced, PacifiCorp agrees to hold customers harmless, for the term of the debt, as compared to the revenue requirements pursuant to subparagraph a) and its basis point reductions, of the originally financed debt.

I 33 (O 16)

MEHC commits that no amendments, revisions or modifications will be made to the ring-fencing provisions of Commitment 11 b) without prior Commission approval for the sole purpose of addressing the ring-fencing provisions.

- I 34 (O 17) Within three months of closing of the transaction, MEHC commits to obtain a non-consolidation opinion that demonstrates that the ring fencing around PPW Holdings LLC is sufficient to prevent PPW Holdings LLC and PacifiCorp from being pulled into an MEHC bankruptcy. MEHC commits to promptly file such opinion with the Commission. If the ring-fencing provisions of this agreement are insufficient to obtain a non-consolidation opinion, MEHC agrees to promptly undertake the following actions:
- a) Notify the Commission of this inability to obtain a non-consolidation opinion.
 - b) Propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent PPW Holdings LLC from being pulled into an MEHC bankruptcy.
 - c) Obtain a non-consolidation opinion.
- I 35 (O 18) MEHC and PacifiCorp commit that PacifiCorp will not make any dividends to PPW Holdings LLC or MEHC if PacifiCorp's unsecured debt rating is BBB- or lower by S & P or Fitch (or Baa3 or lower by Moody's), as indicated by two of the three rating agencies.
- I 36 (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 35.

APPENDIX 1

PPW HOLDINGS LLC RINGFENCING PROVISIONS

1. Purposes.

(a) The purposes of the Company are to engage in the following activities:

1. to purchase and own 100% of the capital stock in PacifiCorp (“**PacifiCorp**”); and any equity interest therein, an “**Equity Interest**”);
2. in connection with the purchase of the Equity Interest, to negotiate, authorize, execute, deliver and perform documents including, but not limited to, that certain Assignment and Assumption of Stock Purchase Agreement between the Member and the Company pursuant to which the Member will assign to the Company all of the Member’s rights and obligations under that certain Stock Purchase Agreement, between the Member and the other persons parties thereto, dated as of May 23, 2005 and any other agreement or document contemplated thereby (the “**Transaction Documents**”); and
3. to do such other things and carry on any other activities, and only such things and activities, which the Board, defined herein, determines to be necessary, convenient or incidental to any of the foregoing purposes, and to have and exercise all of the power and rights conferred upon limited liability companies formed pursuant to the Act in furtherance of the foregoing.

(b) The Company, by or through one or more Officers of the Company, may enter into and perform the Transaction Documents and all documents, agreements, certificates or financing statements contemplated thereby or related thereto, with such final terms and provisions as the Officer or Officers of the Company executing the same shall approve, his or their execution thereof to be conclusive evidence of his or such approval, all without any further act, vote or approval of the Member, the Board of Directors or any other Officer notwithstanding any other provision of this Agreement, the Act or applicable law, rule or regulation. All actions taken by the Member, any Director or Officer on behalf of the Company or on behalf of any of its affiliates prior to the date hereof, to effect the transactions contemplated by the Transaction Documents or the formation of the Company, are hereby ratified, approved and confirmed in all respects. Simultaneously with or following the execution of this Agreement the Company may enter into each of the Transaction Documents with such final terms and provisions as the Officer or Officers of the Company executing the same shall approve, his or their execution thereof to be conclusive evidence of his or their approval.

2. Management.

(a) *Board of Directors.* The business and affairs of PPW Holdings, LLC (the “**Company**”) shall be managed by or under the direction of a board of one or more Directors (the “**Board**”); provided that from and after the purchase of an equity interest in PacifiCorp (an “**Equity Interest**”), and for so long as the Company shall own an Equity Interest, one of the members of the Board shall be an Independent Director.

An **"Independent Director"** shall mean a member of the Board who is not at the time of initial appointment, or at any time while serving on the Board, and has not been at any time during the preceding five (5) years: (a) a member, stockholder, director (except as such Independent Director of the Company), officer, employee, partner, attorney or counsel of the Company or any affiliate of the Company; (b) a creditor, customer other than a consumer, supplier or other person who has derived in any one of the preceding (5) calendar years revenues from its activities with the Company or any affiliate of the Company (except as such Independent Director); (c) a person related to or employed by any person described in clause (a) or clause (b) above, or (d) a trustee, conservator or receiver for the Company or any affiliate of the Company. As used in this definition, "affiliate" shall have the meaning given to such term under Rule 405 under the Securities Act of 1933, as amended.

Except as otherwise provided in this Section 1(a) with respect to the Independent Director, MidAmerican Energy Holdings Company (the **"Member"**) by unanimous vote or unanimous written consent, may determine at any time in its sole and absolute discretion, the number of Directors to constitute the Board. The initial number of Directors shall be two. At the time of the purchase of an Equity Interest by the Company, if one of the Directors is not then a qualified Independent Director, the number of Directors on the Board shall be automatically increased by one, such additional position to be filled as soon as practicable by an Independent Director selected by a majority vote of all of the Directors then in office. Each Director elected, designated or appointed shall hold office until a successor is elected and qualified or until such Director's earlier death, resignation or removal. Each Director shall be a "manager" within the meaning of the Limited Liability Company Act of the State of Delaware (the **"Act"**).

(b) *Powers.* Subject to this Section 1, the Board shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise. Except as provided in the certificate and subject to Section 2(e), the Board has the authority to bind the Company by a majority of the votes held by the Directors. For purposes of voting, each Director shall have one vote.

(c) *Quorum; Acts of the Board.* At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business and, except as otherwise provided in any other provision of this Agreement or in the certificate of incorporation, the act of a majority of the votes held by the Directors present at any meeting at which there is a quorum shall be the act of the Board. In the case of an act which requires the unanimous vote of the Directors and/or the vote of the Independent Director, only the presence at the subject meeting of all of the Directors, including the Independent Director, shall constitute a quorum. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without written notice other than announcement at the meeting, until a quorum shall be present.

(d) *Removal of Directors.* Unless otherwise restricted by law, any Director or the entire Board may be removed, with or without cause, by the Member, and subject to Section 2, any vacancy caused by any such removal may be filled by action of the Member. In the event of the removal of the Independent Director or other event that causes the Independent Director to cease to be an Independent Director on the Board, no action requiring the vote of the

Independent Director shall take place until such time as a replacement Independent Director is elected to the Board by the Member.

(e) *Limitations on the Company's Activities.*

1. This Section 2(e) is being adopted in order to qualify the Company as a "special purpose entity" and so long as the Company holds or owns an Equity Interest, this Section 2(e) shall govern the activities of the Company notwithstanding any other provision of this Agreement.

2. So long as the Company holds or owns an Equity Interest, the Board shall cause the Company to do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises. At all times, unless otherwise provided in that certain Stock Purchase Agreement, between the Member and the other persons parties thereto, dated as of May 23, 2005 and any other agreement or document contemplated thereby (the "**Transaction Documents**"), the Board shall cause the Company to:

- a) maintain its own separate books and records, financial statements, and bank accounts;
- b) except for tax and accounting purposes, at all times hold itself out to the public as a legal entity separate from the Member and any other Person and not identify itself as a division of any other Person;
- c) have a Board, the composition of which in sum is unique from that of any other Person;
- d) file its own tax returns, if any, as may be required under applicable law, and pay any taxes required to be paid under applicable law;
- e) not commingle its assets with assets of any other Person;
- f) conduct its business in its own name and hold all of its assets in its own name;
- g) pay its own liabilities only out of its own funds;
- h) maintain an arm's length relationship with its affiliates, including its Member;
- i) from its own funds, pay the salaries of its own employees;
- j) not hold out its credit as being available to satisfy the obligations of others;

- k) maintain its own office and telephone line separate and apart from its affiliates, although it may lease space from an affiliate and share a phone line with an affiliate, having either a separate number or extension, and in furtherance thereof allocate fairly and reasonably any overhead for shared office space;
- l) use separate stationery, invoices and checks bearing its own name;
- m) not pledge its assets for the benefit of any other Person;
- n) correct any known misunderstanding regarding its separate identity;
- o) maintain adequate capital and an adequate number of employees in light of its contemplated business purposes; and
- p) not acquire any obligations or securities of the Member or its affiliates, other than an Equity Interest.

Failure of the Company to comply with any of the foregoing covenants shall not affect the status of the Company as a separate legal entity or the limited liability of the Member or the Directors.

3. So long as the Company holds or owns an Equity Interest and unless otherwise provided in the Transaction Documents, the Company shall not:

- a) become or remain liable, directly or contingently, in connection with any indebtedness or other liability of any other person or entity, whether by guarantee, endorsement (other than endorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds, or otherwise;
- b) grant or permit to exist any lien, encumbrance, claim, security interest, pledge or other right in favor of any person or entity in the assets of the Company or any interest (whether legal, beneficial or otherwise) in any thereof;
- c) engage, directly or indirectly, in any business other than as permitted to be performed under the Company's limited liability company operating agreement;
- d) make or permit to remain outstanding any loan or advance to, or own or acquire (a) indebtedness issued by any other person or entity, or (b) any stock or securities of or interest in, any person or entity, other than the Equity Interest;
- e) enter into, or be a party to, any transaction with any of its affiliates, except (A) in the ordinary course of business, (B) pursuant to the

reasonable requirements and purposes of its business and (C) upon fair and reasonable terms (and, to the extent material, pursuant to written agreements)) that are consistent with market terms of any such transactions entered into by unaffiliated parties;

- f) make any change to its name or principal business or use of any trade names, fictitious names, assumed names or "doing business as" names.

4. So long as the Company holds or owns an Equity Interest, none of the Company, the Member or the Board shall be authorized or empowered, nor shall they permit the Company, without the prior unanimous written consent of all of the Directors on the Board, including the Independent Director, (a) to consolidate, merge, dissolve, liquidate or sell all or substantially all of the Company's assets or (b) to institute proceedings to have the Company adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Company or file a voluntary petition seeking, or consent to, reorganization or relief with respect to the Company under any applicable federal or state law relating to bankruptcy, or consent to appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors of the Company, or admit in writing the Company's inability to pay its debts generally as they become due, or to the fullest extent permitted by law, to take any action in furtherance of any such action. Moreover, the Board may not vote on, or authorize the taking of, any of the foregoing actions unless there is at least one Independent Director then serving in such capacity.

(f) *Limitations on Distributions.* So long as the Company owns or holds an Equity Interest, the Company shall not permit PacifiCorp to declare or make any Distribution to the Company or any other person that owns or holds an Equity Interest, unless, on the date of such Distribution, either:

1. at the time and as a result of such Distribution, PacifiCorp's Leverage Ratio does not exceed 0.65:1 and PacifiCorp's Interest Coverage Ratio is not less than 2.5:1; or

2. (if PacifiCorp is not in compliance with the foregoing ratios) at such time, PacifiCorp's senior unsecured long term debt rating is at least BBB (or its then equivalent) with Standard & Poor's Ratings Group and Baa2 (or its then equivalent) with Moody's Investors Service, Inc.

For purposes of this Section 2(f), the following terms shall be defined as follows:

"**Capitalized Lease Obligations**" means all lease obligations of PacifiCorp and its Subsidiaries which, under GAAP, are or will be required to be capitalized, in each case taken at the amount thereof accounted for as indebtedness in conformity with such principles.

“Consolidated Current Liabilities” means the consolidated current liabilities of PacifiCorp and its Subsidiaries, but excluding the current portion of long term Indebtedness which would otherwise be included therein, as determined on a consolidated basis in accordance with GAAP.

“Consolidated Debt” means, at any time, the sum of the aggregate outstanding principal amount of all Indebtedness for Borrowed Money (including, without limitation, the principal component of Capitalized Lease Obligations, but excluding Currency, Interest Rate or Commodity Agreements and all Consolidated Current Liabilities) of PacifiCorp and its Subsidiaries, as determined on a consolidated basis in conformity with GAAP.

“Consolidated EBITDA” means, for any period, the sum of the amounts for such period of PacifiCorp’s (i) Consolidated Net Operating Income, (ii) Consolidated Interest Expense, (iii) income taxes and deferred taxes (other than income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or sales of assets), (iv) depreciation expense, (v) amortization expense, and (vi) all other non-cash items reducing Consolidated Net Operating Income, less all non-cash items increasing Consolidated Net Operating Income, all as determined on a consolidated basis in conformity with GAAP; *provided*, that to the extent PacifiCorp has any Subsidiary that is not a wholly owned Subsidiary, Consolidated EBITDA shall be reduced by an amount equal to the Consolidated Net Operating Income of such Subsidiary multiplied by the quotient of (A) the number of shares of outstanding common stock of such Subsidiary not owned on the last day of such period by PacifiCorp or any Subsidiary of PacifiCorp divided by (B) the total number of shares of outstanding common stock of such Subsidiary on the last day of such period.

“Consolidated Interest Expense” means, for any period, the aggregate amount of interest in respect of Indebtedness for Borrowed Money (including amortization of original issue discount on any Indebtedness and the interest portion on any deferred payment obligation, calculated in accordance with the effective interest method of accounting; and all commissions, discounts and other fees and charges owed with respect to bankers’ acceptance financing) and the net costs associated with Interest Rate Agreements and all but the principal component of rentals in respect of Capitalized Lease Obligations, paid, accrued or scheduled to be paid or to be accrued by PacifiCorp and each of its Subsidiaries during such period, excluding, however, any amount of such interest of any Subsidiary of PacifiCorp if the net operating income (or loss) of such Subsidiary is excluded from the calculation of Consolidated Net Operating Income for such Subsidiary pursuant to clause (ii) of the definition thereof (but only in the same proportion as the net operating income (or loss) of such Subsidiary is excluded), less consolidated interest income, all as determined on a consolidated basis in conformity with GAAP; *provided* that, to the extent that PacifiCorp has any Subsidiary that is not a wholly owned Subsidiary, Consolidated Interest Expense shall be reduced by an amount equal to such interest expense of such Subsidiary multiplied by the quotient of (A) the number of shares of outstanding common stock of such Subsidiary not owned on the last day of such period by PacifiCorp or any Subsidiary of PacifiCorp divided by (B) the total

number of shares of outstanding common stock of such Subsidiary on the last day of such period.

“Consolidated Net Operating Income” means, for any period, the aggregate of the net operating income (or loss) of PacifiCorp and its Subsidiaries for such period, as determined on a consolidated basis in conformity with GAAP; *provided* that the following items shall be excluded from any calculation of Consolidated Net Operating Income (without duplication): (i) the net operating income (or loss) of any person (other than a Subsidiary) in which any other person has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to PacifiCorp or another Subsidiary of PacifiCorp during such period; (ii) the net operating income (or loss) of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net operating income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation or license; and (iii) all extraordinary gains and extraordinary losses.

“Currency, Interest Rate or Commodity Agreements” means an agreement or transaction involving any currency, interest rate or energy price or volumetric swap, cap or collar arrangement, forward exchange transaction, option, warrant, forward rate agreement, futures contract or other derivative instrument of any kind for the hedging or management of foreign exchange, interest rate or energy price or volumetric risks, it is being understood, for purposes of this definition, that the term “energy” shall include, without limitation, coal, gas, oil and electricity.

“Distribution” means any dividend, distribution or payment (including by way of redemption, retirement, return or repayment) in respect of shares of capital stock of PacifiCorp.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time.

“Indebtedness” means, with respect to PacifiCorp or any of its Subsidiaries at any date of determination (without duplication), (i) all Indebtedness for Borrowed Money, (ii) all obligations in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), (iii) all obligations to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services, except trade payables, (iv) all Capitalized Lease Obligations, (v) all indebtedness of other persons secured by a mortgage, charge, lien, pledge or other security interest on any asset of PacifiCorp or any of its Subsidiaries, whether or not such indebtedness is assumed; *provided*, that the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at such date of determination, and (B) the amount of the secured indebtedness, (vi) all indebtedness of other persons of the types specified in the preceding clauses (i) through (v), to the extent such indebtedness is guaranteed by PacifiCorp or any of its Subsidiaries, and (vii) to the extent not otherwise included in this definition, obligations under

Currency, Interest Rate or Commodity Agreements. The amount of Indebtedness at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, upon the occurrence of the contingency giving rise to the obligation, the maximum liability of any contingent obligations of the types specified in the preceding clauses (i) through (vii) at such date; *provided*, that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP.

"Indebtedness for Borrowed Money" means any indebtedness (whether being principal, premium, interest or other amounts) for (i) money borrowed, (ii) payment obligations under or in respect of any trade acceptance or trade acceptance credit, or (iii) any notes, bonds, debentures, debenture stock, loan stock or other debt securities offered, issued or distributed whether by way of public offer, private placement, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash; *provided, however*, in each case that such term shall exclude any indebtedness relating to any accounts receivable securitizations.

"Interest Coverage Ratio" means, with respect to PacifiCorp on any Measurement Date, the ratio of (i) the aggregate amount of Consolidated EBITDA of PacifiCorp for the four fiscal quarters for which financial information in respect thereof is available immediately prior to such Measurement Date to (ii) the aggregate Consolidated Interest Expense during such four fiscal quarters.

"Leverage Ratio" means the ratio of Consolidated Debt to Total Capital, calculated on the basis of the most recently available consolidated balance sheet of PacifiCorp and its consolidated Subsidiaries (provided that such balance sheet is as of a date not more than 90 days prior to a Measurement Date) prepared in accordance with GAAP.

"Measurement Date" means the record date for any Distribution.

"Subsidiary" means, with respect to any person, any corporation, association, partnership, limited liability company or other business entity of which 50% or more of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the same time owned, directly or indirectly, by (i) such person, (ii) such person and one or more Subsidiaries of such person, or (iii) one or more Subsidiaries of such person.

"Total Capital" of any person is defined to mean, as of any date, the sum (without duplication) of (a) Indebtedness for Borrowed Money, and (b) consolidated stockholder's equity of such person and its consolidated Subsidiaries."

3. Independent Director.

From the time an Independent Director is initially appointed and for so long as the Company holds or owns an Equity Interest, the Company shall at all times have at least one

Independent Director who, except as provided in Section 2(a), will be appointed by the Member. To the fullest extent permitted by Section 18-1101(c) of the Act, the Independent Director shall consider only the interests of the Company, including its respective creditors, in acting or otherwise voting on the matters that come before them. No Independent Director shall at any time serve as trustee in bankruptcy for any affiliate of the Company.

4. Enforcement by Independent Director.

Notwithstanding any other provision of the Company's limited liability operating agreement, the Member agrees that such agreement constitutes a legal, valid and binding agreement of the Member, and is enforceable against the Member by the Independent Director, in accordance with its terms. In addition, the Independent Director shall be an intended beneficiary of the agreement.

5. Dissolution.

(a) The Company shall be dissolved, and its affairs shall be wound up only upon the entry of a decree of judicial dissolution under Section 18-802 of the Act; and shall not dissolve prior to the occurrence of such event, provided, however, to the fullest extent permitted by law, the Member and the Directors shall not make an application under Section 18-802 of the Act so long as the Company holds or owns an Equity Interest.

(b) So long as the Company owns or holds an Equity Interest, the Member shall cause the Company to have, at all times, at least one person who shall automatically become a member having 0% economic interest in the Company (the "Springing Member") upon the dissolution of the Member or upon the occurrence of any other event that causes the Member to cease being a member of the Company. Upon the occurrence of any such event, the Company shall be continued without dissolution and the Springing Member shall, without any action of any person or entity, automatically and simultaneously become a member of the Company having a 0% economic interest in the Company and the Personal Representative(s) (as defined in the Act) of the Member shall automatically become an unadmitted assignee of the Member, being entitled thereby only to the distributions to which the Member was entitled hereunder and any other right conferred thereupon by the Act. In order to implement the admission of the Springing Member as a member of the Company, the Springing Member has executed a counterpart to this Agreement as of the date hereof. Pursuant to Section 18-301 of the Act, the Springing Member shall not be required to make any capital contributions to the Company and shall not receive any limited liability company interest in the Company. Prior to its admission to the Company as a member of the Company pursuant to this Section 24(b), the Springing Member shall have no interest (economic or otherwise) and is not a member of the Company.

(c) Notwithstanding any other provision of this Agreement, the Bankruptcy of a Member shall not cause the Member to cease to be a member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution. Notwithstanding any other provision of this Agreement, the Member waives any right they might have under Section 18-801(b) of the Act to agree in writing to dissolve the Company upon the Bankruptcy of a Member or the occurrence of any other event that causes such Member to cease

to be a member of the Company. **"Bankruptcy"** means, with respect to a Member, if the Member (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against itself an order for relief, in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Member or of all or any substantial part of its properties, or (vii) 120 days after the commencement of any proceeding against the Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation, if the proceedings have not been dismissed, or if within 90 days after the appointment, without the Member's consent or acquiescence, of a trustee, receiver or liquidator of the Member or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated. With respect to the Member, the foregoing definition of "Bankruptcy" is intended to replace and shall supersede the definition of "bankruptcy" set forth in Sections 18-101(1) and 18-304 of the Act.

(d) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act. Upon completion of the winding up process, the Board shall cause the execution and filing of a Certificate of Cancellation in accordance with Section 18-203 of the Act.

6. Amendments.

Neither this Agreement nor the Certificate may be modified, altered, supplemented or amended (each such event being referred to as a **"Change"**) except pursuant to a written agreement executed and delivered by the Member. So long as the Company holds or owns an Equity Interest and PacifiCorp or any subsidiary thereof has any debt outstanding that is rated by Standard & Poor's, Moody's Investors Service, or by Fitch Ratings (each, a **"Rating Agency"**), no Change shall take effect unless (i) each Rating Agency rating such debt shall have delivered a written confirmation that such Change will not result in the downgrade or withdrawal of any such rating assigned by it to such debt, and (ii) the Independent Director shall have approved the Change in a vote of Directors if the Change relates to Section 1, Section 2(i) or Section 3; provided that none of the conditions identified in either of clause (i) or (ii) hereof needs be satisfied if the Change is designed to: (x) cure any ambiguity or internal inconsistency in this Agreement or the Certificate or (y) convert or supplement any provision hereof in a manner consistent with the intent of this Agreement or the Certificate.

APPENDIX 2

line	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-yr Total
TABLE 1 System Millions & \$'s											
Components (System)											
1 West Valley	5.00	5.00	2.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.10
2 Corporate Overheads	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
3 Insurance Captive	4.29	4.29	4.29	4.29	4.29	0.00	0.00	0.00	0.00	0.00	21.45
4 Services Provided to Affiliate - Fixed	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
5 Services Provided to Affiliate - Non Fixed	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	64.00
6 A&G reductions	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	60.00
7 Gross Total System Rate Credit	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
Potential Offsets: (System)											
8 West Valley	5.00	5.00	2.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.10
9 Corporate Overheads	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
10 Insurance Captive	4.29	4.29	4.29	4.29	4.29	0.00	0.00	0.00	0.00	0.00	21.45
11 Services Provided to Affiliate - Fixed	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
12 Services Provided to Affiliate - Non Fixed	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	64.00
13 A&G reductions	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	60.00
14 Total Offsets	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
15 Guaranteed Rate Credit (Gross - Total Offsets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The first year's rate credit will be prorated based on the closing date of the transaction

line	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-yr Total
TABLE 2 Oregon Allocated Millions & \$'s											
Gross Rate Credit* - Total Company											
Gross Rate Credit* - Total Company	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
Guaranteed Gross Rate Credit* - Total Comp	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Assumes all states adopt the Oregon Rate Credit											
Gross Oregon-Allocated Rate Credit											
Guaranteed Oregon-Allocated Rate Credit	6.91	6.91	6.10	5.51	5.51	1.79	1.79	1.79	1.79	1.79	39.91
Components (Oregon Allocated)											
01 West Valley	1.40	1.40	0.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.39
02 Corporate Overheads	0.42	0.42	0.42	0.42	0.42	0.00	0.00	0.00	0.00	0.00	2.10
03 Insurance Captive	1.20	1.20	1.20	1.20	1.20	0.00	0.00	0.00	0.00	0.00	6.01
04 Services Provided to Affiliate - Fixed	0.42	0.42	0.42	0.42	0.42	0.00	0.00	0.00	0.00	0.00	2.10
05 Services Provided to Affiliate - Non Fixed	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	17.92
06 A&G reductions	1.68	1.68	1.68	1.68	1.68	0.00	0.00	0.00	0.00	0.00	8.40
07 Gross Oregon-Allocated Rate Credit	6.91	6.91	6.10	5.51	5.51	1.79	1.79	1.79	1.79	1.79	39.91
Potential Offsets: (Oregon Allocated)											
08 West Valley	1.40	1.40	0.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.39
09 Corporate Overheads	0.42	0.42	0.42	0.42	0.42	0.00	0.00	0.00	0.00	0.00	2.10
10 Insurance Captive	1.20	1.20	1.20	1.20	1.20	0.00	0.00	0.00	0.00	0.00	6.01
11 Services Provided to Affiliate - Fixed	0.42	0.42	0.42	0.42	0.42	0.00	0.00	0.00	0.00	0.00	2.10
12 Services Provided to Affiliate - Non Fixed	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	1.79	17.92
13 A&G reductions	1.68	1.68	1.68	1.68	1.68	0.00	0.00	0.00	0.00	0.00	8.40
14 Total Offsets	6.91	6.91	6.10	5.51	5.51	1.79	1.79	1.79	1.79	1.79	39.91
15 Guaranteed Rate Credit (Gross - Total Offsets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The first year's rate credit will be prorated based on the closing date of the transaction

Note: The Oregon allocated share of the rate credits has been estimated using a 28% allocation factor.
The actual Oregon allocated share will be determined using the relevant (then-applicable) test period allocation factors.

UM 1209 A&G Stretch

APPENDIX 3

Cost Category	Amount	Description
UE 170 A&G Costs (minus):	\$251,199,908	From UE 170 (Weston Page 2.15) - FERC Accounts 920 - 935.
Non-labor A&G Adjustment	(\$17,678,571)	Staffs UE 170 \$6.057 million Oregon-allocated adjustment in system-wide amount minus SPJK Oregon-allocated adjustment, \$1.107 million, to prevent double counting with Corporate Overhead condition. (From workpapers (attached to e-mail) and final stipulated amount Order 05-1050. Partial Stipulation paragraph 5.e. page 4 of 13.)
Incentives Adjustment	(\$3,064,951)	Staffs UE 170 \$5.434 million Oregon-allocated adjustment in system-wide amounts attributable to A&G Accounts (see calculation below) (From Order 05-1050. Partial Stipulation paragraph 5.d. page 4 of 13.
Benefits Adjustment	(\$1,359,318)	Staffs UE 170 \$2.410 million Oregon-allocated adjustment in system-wide amounts attributable to A&G Accounts (see calculation below) (From Second Partial Stipulation, paragraph 5, page 2 of 9).
Management Fee Off-set	(\$1,532,485)	From Staff 1300 (UM 1209 - pages 8 and 9.
Affiliate Payment Off-set	\$0	
Pension Adjustment	\$744,386	\$7.93 was removed as it was not included in the \$251 million (Secondary & Duplicate Labor). From Staff 1300 (pages 10 and 11) and UE 170 Weston 2.15 and 4.18, page 9.
WSCC Adjustment	\$535,714	UE 170, Appendix H, S-3, \$1.32 million increase adjustment system attributable to A&G.
Baseline A&G	\$228,844,684	UE 170, Appendix H, P-4, \$.250 million increase adjustment system; 60% to WSCC.
Stretch Goal	\$222,844,684	Baseline A&G minus \$6.0 Stretch Goal.
Incentive / Benefit Attributable		Taken from UE 170; Weston 4.18, page 9.
Account 920 SO	\$9,637,287	
Account 921 SO	(\$2,002)	
Account 922 SO	(\$1,891,289)	
Account 923 SO	(\$306,251)	
Account 929 SO	(\$121,531)	
Account 935 Oregon	\$28,158	
Account 935 SO	\$405,024	
Total A&G	\$7,749,396	
PacifiCorp Total	\$49,068,860	\$80,376,959
Percent Total Attributable to A&G	15.79%	15.79%
UE 170 Adjustment Amount	(\$19,407,143)	\$4,714,286
Adjustment Amount Attributable to A&G	(\$3,064,951)	(\$8,607,143)
		\$744,386

System-wide Numbers (Oregon-allocated = \$5.434 million for incentives; \$2.410 million for benefits; and \$1.32 million for pensions).

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF JANUARY 2006, SERVED THE FOREGOING **SUPPLEMENTAL 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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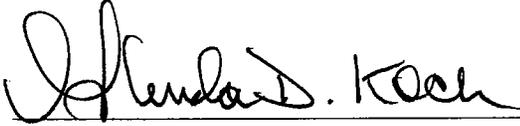
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