

Comparison of Ring-Fencing “Best Practices” With MEHC/PacifiCorp Commitments

<u>Credit Rating Agencies’ List</u>	<u>Post-Acquisition Implementation</u>
1. The regulated utility is a corporate subsidiary in a holding structure.	Subsidiary of MEHC
2. The regulated utility is placed in a Special Purpose Entity, which is legally separate from the non-regulated affiliates of the parent.	PPW Holdings, LLC.
3. The provision of so-called “nonpetition” (bankruptcy) language by the parent.	Special Independent Director in PPW Holdings, LLC powers to prevent voluntary bankruptcy filings.
4. The utility is managed separately and has a separate board of directors.	See Direct Testimony of Greg Abel, p. 2 and Judi Johansen, p. 1. Also implicit in corporate structure in exhibits included with Goodman’s testimony.
5. The utility’s books and records are kept separate from any affiliates.	Commitment 3
6. The utility has its own bank accounts and credit facilities, its own separate debt and has its own separate credit rating.	Commitment 3 and Commitment 15
7. Limits imposed on capital structure, e.g. setting a minimum common equity percentage in the capital structure.	Commitments 15, 18, 20, U10, U11, and U12.
8. Limits on inter-company guarantees and loans—including loans to money pools.	Commitments 15, 20, U10, U11, and U12.
9. Limits on dividends.	Commitment U13 (UCA 54-4-27)
10. A written Affiliate Code of Conduct is in place.	Commitment U21 combined with PacifiCorp’s currently in-place procurement policy.
11. Finally, violations of these practices are supported by clear penalties from regulatory authorities.	A possible weakness, at least in Utah. Penalties would probably fall under UCA 54-7-24 through 54-7-29.
<u>NARUC Subcommittee List:</u>	
1. Commission authority to restrict and mandate use and terms of sale of utility assets. This includes restriction against using utility assets as collateral or guarantee for any non utility	UCA 54-4-28, UCA 54-4-29, UCA 54-4-30, and UCA 54-4-31. Authority may need to be upgraded since there appears to be little Commission authority regarding

business.	disposition of utility facilities. However, Commitment U2 appears to provide the sufficient authority here.
2. Commission authority to restrict dividend payments to a parent company in order to maintain financial viability of the utility. This may include, but is not limited to, maintenance of a minimum equity balance.	UCA 54-4-27; Commitment U13.
3. Commission authority to authorize loans, loan guarantees, engagement in money pools and large supply contracts between the utility and affiliate companies.	UCA 54-4-31; Commitments 15, 20, U11, U12.
4. Commission authority over establishment of a holding company structure involving a regulated utility.	PPW Holdings, LLC and Testimony of Patrick J. Goodman. The Commission appears to have no statutory authority for this particular item.
5. Expand commission authority over security applications to include the ability to restrict type and use of financing.	Commission authority may need expansion as suggested.