Q. Please state your name, employer and business address.

A. My name is Thomas B. Specketer, MidAmerican Energy Company ("MEC"), 666 Grand Avenue, Suite 2900, Des Moines, Iowa 50309.

Q. What is your position with MEC and your previous work experience?

A. I am currently vice president U.S. regulatory accounting and MEC controller. My primary duties include responsibility for all accounting, financial reporting, regulatory reporting, tax and budgeting activities for MEC, and regulatory accounting oversight for all domestic regulated entities in the MidAmerican Energy Holdings Company ("MEHC") group. I have been employed by MEC, or one of its predecessor companies, for over 25 years. During this time, I have held various staff and managerial positions within the accounting, tax and finance organizations.

Qualifications

Q. What is your educational background and your involvement in professional associations?

A. I received a Bachelor of Science degree in mathematics from Morningside College. In addition to formal education, I have also attended various educational, professional and electric industry related seminars during my career at MEHC. I am a member of Edison Electric Institute's Chief Accounting Officers Committee and a past member of the Tax Executives Institute, Iowa Association of Tax Representatives and Institute of Management Accountants.

Purpose and Summary of Testimony

Q. What is the purpose of your testimony?

A. My testimony is submitted in compliance with the provisions of Commitment U23 of Appendix A (“Appendix A”) to the Stipulation in Docket No. 05-035-54 (the acquisition of PacifiCorp by MEHC) which states that within fifteen days after the transaction closes, PacifiCorp ("the Company") will file supplemental testimony by an MEHC witness to discuss and update the revenue requirement in PacifiCorp's general rate case and to incorporate any additional adjustments that are appropriate as a result of the transaction.

Q. Are you proposing additional adjustments to the total price change of $197.2 million requested by PacifiCorp in its initial filing in this case?

A. Yes. I am proposing adjustments that will reduce the Company's proposed price increase from $197.2 million to $194.1 million and identify adjustments that comprise the majority of the $6.7 cost reduction contingency addressed by Mr. Richard Walje. Now that the MEHC-PacifiCorp transaction has closed, a number of adjustments for the forecast test year October 1, 2006 through September 30, 2007 are appropriate and should be included in the revenue requirement for PacifiCorp. These adjustments are described as follows:

- The weighted cost of debt is being adjusted to reflect a 10 basis point reduction to the yield on incremental long-term debt projected to be issued following the close of the transaction and prior to the end of the forecast test period.
- The amount of the corporate overhead cross-charge included in the test year is being reduced to the level committed to by MEHC.

- The amount of test year expense related to the non-fuel cost of the West Valley lease is being reduced.
- The effect of MEHC commitments to increase the capacity of the Blundell Geothermal Plant and transfer steam ownership rights to PacifiCorp are reflected in test year expense where appropriate.
- Forecast test year labor expense is being reduced to reflect lower expected annual wage increases for non-union and exempt employees.
- Forecast test year labor expense is being reduced to reflect workforce reductions associated with MEHC's ownership of PacifiCorp. This reduction is offset by the amortization of associated employee severance costs.

The change in the Rate Mitigation cap relating to these adjustments has also been calculated. In addition, my testimony includes a discussion of the Utah commitments related to the Accelerated Distribution Circuit Fusing Program and Saving SAIDI Initiative. My testimony concludes by explaining how my proposed adjustments relate to the $6.7 million reduction to test year revenue requirement in anticipation of the closing of the MEHC transaction.

Weighted Cost of Debt

Q. Please describe MEHC's commitment with respect to the yield on incremental long-term debt issuances.

A. Commitment 37 of Appendix A provides in part that:

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. 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.

Q. How do you propose to demonstrate the expected reduction in the cost of long-term debt issued during the forecast test year due to PacifiCorp's association with Berkshire Hathaway?

A. The proximity of this case to the close of the MEHC transaction does not allow for an empirical demonstration that the cost of new debt issuances has declined or will decline. Therefore, PacifiCorp has imputed a 10 basis point reduction from the forecast market rate for new debt issuances as described below.

Q. Please describe your proposed adjustment to the yield on incremental long-term debt issuances.

I have proposed an adjustment to reduce the expected cost of debt on new issuances prior to the end of the forecast test period in this case by 10 basis points. The cost of these new issuances was based on a forecast market interest rate that was developed using the forward 20-year U.S. Treasury rate and adjusting for the spread between Treasury rates and A-rated corporate secured debt. This forecast market rate was then reduced by 10 basis points before adding expected underwriting fees and other issuance costs. This adjustment will reduce the Company's embedded cost of long-term debt from 6.407% to 6.400% and reduce

Utah test year revenue requirement by slightly more than $0.1 million. The calculation of the adjustment to the cost of debt is described in Exhibit UP&L ____ (TBS-1S).

Corporate Overhead Cross-Charge

Q. Please describe your proposed adjustment to the amount of the corporate overhead cross-charge included in the forecast test year.

A. Commitment 38 of Appendix A provides that:

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 of the transaction. In accordance with this commitment, I am proposing an adjustment to reduce the corporate overhead cross-charge included in the forecast test year from $11.7 million, based on ScottishPower's cost structure, to $7.6 million on a total company basis. This adjustment will reduce Utah-allocated expense by $1.7 million. The calculation of the corporate overhead cross-charge adjustment is described in Exhibit UP&L ____ (TBS-2S).

Accelerated Distribution Circuit Fusing Program

Q. Please discuss the impact on forecast test year distribution O&M expense of providing increased funding for the Accelerated Distribution Circuit Fusing Program.

A. Commitment 35(c) of Appendix A provides that:

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. Utah's share of the increased circuit fusing program costs will be

$650,000 annually. However, cost savings will offset the additional circuit fusing expense. Therefore, I am not proposing an adjustment to increase Utah's forecast test year distribution O&M expense to recognize the cost of the Accelerated Distribution Circuit Fusing Program

Saving SAIDI Initiative

Q. Please discuss the impact on forecast test year distribution O&M expense of extending the Saving SAIDI Initiative.

A. Commitment 35(d) of Appendix A provides for 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. Utah's share of the cost of continuing the Saving SAIDI Initiative will be $625,000 annually. However, cost savings will offset the Saving SAIDI expense. Therefore, I am not proposing an adjustment to increase Utah's forecast test year distribution O&M expense to recognize the cost of continuing the Saving SAIDI Initiative.

West Valley Lease

Q. Please describe the nature of the West Valley lease.

A. The West Valley lease is a 15-year operating lease between PacifiCorp and West Valley Leasing Company, LLC, for the output of a 200 MW gas-fired, simple-cycle combustion turbine electric generating station located in West Valley, Utah near Salt Lake City. West Valley Leasing Company, LLC is a subsidiary of PPM Energy which is owned by ScottishPower.

Q. Please describe MEHC's commitment to reduce test year expenses related to the non-fuel cost of the West Valley lease.

A. Commitment U 46 of Appendix A to the Amendment to Stipulation in Docket No. 05-035-54 ("the Amendment to Stipulation") provides:

a) MEHC and PacifiCorp commit to reduce the annual non-fuel costs to PacifiCorp customers of the West Valley lease by $0.417 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, Utah’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.

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.

In accordance with that commitment, beginning with the close of the transaction, Utah'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.

Q. What is the amount of your proposed adjustment to reduce test year expenses related to the non-fuel cost of the West Valley lease?

A. The effect of this adjustment is to reduce Utah's forecast test year revenue requirement by $2.7 million. Of this amount, $1.8 million is related to the annual decrease in costs and $0.9 million is related to the amortization of the decrease from the close of the transaction to December 11, 2006. The calculation of the West Valley lease adjustment is described in Exhibit UP&L ____ (TBS-3S).

Blundell Geothermal Plant

Q. Please describe the commitments that MEHC has made with respect to the operation of the Blundell Plant that could potentially affect the forecast test year revenue requirement in this case.

A. Intermountain Geothermal Company ("IGC"), a subsidiary of MEHC, owns approximately 70% of the working interests in the geothermal field serving the Blundell Geothermal Plant, which is owned and operated by PacifiCorp. IGC has an existing contractual obligation to provide its proportionate share (approximately 70%) of the steam need to service the plant. As part of the Settlement Agreement in Docket No. 05-035-98 that was approved by the Commission on April 3, 2006, MEHC agreed to transfer to PacifiCorp the stock ownership in IGC and the associated steam rights. The relevant commitments with respect to the Blundell Plant are described in paragraphs 3.c.(ii) and 3.c.(iii) of the Settlement Agreement. Paragraph 3.c.(ii) calls for IGC's current market price-based steam supply contract at Blundell to be replaced with a new contract that requires the steam to be provided to PacifiCorp at IGC's cost for the remainder of the agreement. Paragraph 3.c.(iii) requires PacifiCorp to add approximately 11 megawatts of generating capacity at Blundell by the fourth quarter of 2007.

Q. What impact does changing the future cost of the Blundell steam resource have on the forecast test year revenue requirement?

A. Reflecting the Blundell Plant steam resource at IGC's cost rather than at the market price reduces Utah's forecast test year revenue requirement by $0.2 million. The calculation of the savings due to lower Blundell steam costs is described in Exhibit UP&L ____ (TBS-4S).

Q. Is an adjustment required to reflect the reduction in net power costs and add the additional rate base associated with the 11 megawatt capacity expansion at the Blundell Plant?

A. No, not at this time. The capacity expansion at the Blundell Plant is currently projected to be in service in December 2007. Thus, while the Company expects that Utah customers will ultimately benefit from an overall reduction in cost as a result of the Blundell expansion, this benefit will not be realized during the forecast test period which ends on September 30, 2007. Therefore, an adjustment for additional Blundell generating capacity is not appropriate in this proceeding.

Annual Wage Increases

Q. Please describe the adjustment you are making to forecast test year labor expense to reflect changes in expected annual wage increases.

A. I am reducing Utah's forecast test year labor expense by approximately $0.4 million to reflect lower expected annual wage increases for non-union and exempt employees. The annual wage increase for these employees is expected to average 2.5% in May 2006 rather than the 3% reflected in the Company's initial filing. The calculation of this labor expense adjustment is described in Exhibit UP&L ____ (TBS-5S).

Workforce Reductions

Q. Please explain the adjustment to the forecast test year revenue requirement that is necessary to reflect workforce reductions.

A. It is necessary to adjust the forecast test year labor expense to reflect a workforce reduction of 84 employees. The departing employees fall into two categories. First, 55 employees left PacifiCorp during 2006 prior to the close of the MEHC transaction and were not replaced. The reduction in test year labor expense attributable to these employees is approximately $4.3 million, of which $1.8 million is allocated to Utah. Second, 29 employee reductions have occurred since the transaction was closed. This second group represents a reduction in test year expense of approximately $4.8 million--$2.0 million allocated to Utah. The total workforce reduction of 84 employees reduces Utah test year labor expense by $3.8 million

Q. Please describe the severance costs associated with these workforce reductions.

A. The 29 employees who will be leaving PacifiCorp after the close of the transaction are eligible for the Company's severance program. The total amount of severance expense related to these employees is $6.4 million, of which $2.7 million will be allocated to Utah. I propose to amortize this amount over three years, resulting in an increase of $0.9 million in Utah test year labor expense attributable to severance cost, with the unamortized balance included in ratebase as a regulatory asset in Account 182.

Q. What is the net impact of the workforce reductions on test year revenue requirement?

A. The $3.8 million reduction in labor expense, partially offset by the $0.9 million amortization of employee severance costs, results in a net decrease of $2.9 million in Utah's test year revenue requirement. The calculation of the adjustment for workforce reductions is described in Exhibit UP&L ____ (TBS-6S)

Transaction Filing Contingency Adjustment

Q. In his prefiled direct testimony, PacifiCorp witness Richard Walje discussed a $6.7 million reduction to PacifiCorp's proposed revenue requirement in anticipation of the closing of the MEHC transaction. Are the adjustments you have proposed in addition to that $6.7 million?

A. Yes, but only in part. The $6.7 million adjustment discussed by Mr. Walje was offered in anticipation of the types of reductions in forecast test year OMAG expense that are represented by my specific adjustments to reduce the corporate overhead cross-charge, to lower expected annual non-union wage increases, and to reflect the impact of workforce reductions. Therefore, to avoid double-counting, those three adjustments totaling $5.0 million must be offset against the $6.7 million adjustment offered by Mr. Walje. My other adjustments are in addition to what was proposed by Mr. Walje and have the effect of reducing the Company's proposed price change by $3.1 million.

Rate Mitigation Cap

Q. Is it your understanding that the adjustments you have proposed will have an effect on the calculation of the Rate Mitigation cap that was previously described in the direct testimony of Mr. Weston?

A. Yes, I understand that there will be some effect on the Rate Mitigation cap. Exhibit UP&L ____ (TBS-7S) shows the total impact of my proposed adjustments on PacifiCorp's forecast test year revenue requirement. This exhibit shows that, after adjustment for the Rate Mitigation cap, the cost saving commitments made as part of the MEHC transaction will reduce PacifiCorp's requested Utah price change from $197.2 million to $194.1 million, a savings of $3.1 million.

Conclusion

Q. Please summarize your testimony.

A. I have proposed a number of adjustments that in total will reduce PacifiCorp's requested price increase in this case by $3.1 million. These adjustments reflect Stipulation commitments made by MEHC and PacifiCorp in the transaction approval proceeding and recognize certain cost efficiencies expected to be realized as a result of the transaction.

Q. Does this conclude your testimony?

A. Yes.