Q. Please state your name, business address and present position with Rocky Mountain Power (the Company).

A. My name is Bruce N. Williams. My business address is Lloyd Center Tower, 825 NE Multnomah, Suite 1900, Portland, Oregon, 97232. I am the Vice President and Treasurer.

Q. Are you the same Bruce N. Williams who previously submitted Direct and Supplemental Direct Testimony in this proceeding?

A. Yes, I am.

Purpose of Testimony

Q. What is the purpose of your rebuttal testimony?

A. I will respond to certain issues raised in the Direct Testimony filed by Mr. Daniel J. Lawton for the Committee of Consumer Services and by Mr. Charles E. Peterson for the Division of Public Utilities, Department of Commerce for the state of Utah.

Q. Please enumerate the issues you will address in your rebuttal testimony.

A. I will comment on the following issues raised by Mr. Lawton and Mr. Peterson.

1. (Peterson and Lawton) Cost of new long-term debt.
2. (Peterson) Compliance with MidAmerican Energy Holdings Company Acquisition Commitment No. 37.
3. (Lawton) Rating agency coverage ratios.
4. (Peterson) Rating agency business position.

Cost of New Long-Term Debt

Q. Have other parties proposed adjustments to the Company's cost of long-term debt?

A. Yes, both Messrs. Peterson and Lawton are suggesting a reduction to the Company's cost of long-term debt through adjustments to the prospective new issuance rate. Mr. Peterson is proposing a 21 basis point reduction in the coupon rate of the prospective new debt issuance and Mr. Lawton is recommending a 45 basis point reduction on the new issuance.

Q. On what basis do the parties propose such a reduction?

A. Both parties cite a decline in yields on U.S. Treasury bonds since my direct testimony was originally prepared.

Q. Do you agree with these proposed reductions?

A. No. The Company cannot borrow funds at the U.S. Treasury bond rate and must pay a premium or credit spread over those rates. While it is true that U.S. Treasury bond rates have recently declined, it is also true there has been a nearly equal and offsetting increase in the credit spread that investors are requiring when purchasing corporate debt securities. Presently, the Company's estimated interest rate on the new long-term debt is actually slightly higher than the rate in my direct testimony.

	Direct Testimony	April 2008
Forward Treasury Rate	4.91%	4.47%
Credit Spread	1.52%	1.98%
Issuance Costs	0.09%	0.09%
All-in Cost	6.52%	6.53%

Q. What is the Company recommending that the Commission adopt as to the cost of debt?

A. The Company disagrees with the other parties as to the cost of debt for the reason cited above. The Company continues to believe that 6.30 percent is the appropriate cost of long-term debt .

Acquisition Commitment No. 37

Q. Please describe Acquisition Commitment No. 37.

A. Mr. Peterson outlines the commitment in his Confidential Appendix to his Direct Testimony on page 44. The commitment states in part:

> 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 issuance 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.

Q. Please describe Mr. Peterson's concern.

A. Mr. Peterson expresses a concern that Rocky Mountain Power's testimony evidencing the achievement of the 10 basis point reduction relied upon an analysis that incorporates estimates known as "new issue premiums." Mr. Peterson goes on to state that the amount to include as the new issue premium is based on a judgment made by the investment banker.

Q. Is Rocky Mountain Power's evidence on this issue limited to judgments made by its investment bankers?

A. No. The evidence presented analyzes the Company's issuances of long-term debt through several methods. Mr. Peterson is correct that under certain methods, the investment bankers appropriately added a new issue premium to the quoted secondary levels to make the analysis to PacifiCorp's issuance comparable. This adjustment is necessitated by the fact it is common for investors to seek a new issue premium in order to incentivize them to buy new bonds versus simply buying existing bonds in the secondary market.

However, PacifiCorp's ability to provide the ten basis points of savings required under Commitment No. 37 does not necessarily depend on including a new issuance premium. For example, on page 4 of Confidential Exhibit RMP___(BNW-7), Lehman Brothers provides rates at which they estimate other comparably rated utilities could issue new first mortgage bonds based on trading levels of similar securities by those utilities. This schedule does include the investment banker's estimate of what the new issuance premium would have been at the time that PacifiCorp issued its bonds. Note that PacifiCorp's $350 million issuance, including it's own new issuance premium, sold at a spread to Treasury bonds of approximately 20 basis points less than the spread of comparable utility bonds. However, even if one were to exclude the estimated new issuance premiums of the comparable bonds from the analysis, PacifiCorp's $350 million issuance still sold at a spread of 12 basis points less than its peers.

Q. Is this true of the other issuances as well?

A. Yes. On page 7 of Confidential Exhibit RMP___(BNW-10), Goldman Sachs and BNP Paribas estimate that PacifiCorp's March 2007 issuance provided 19 basis points of savings as compared to a similarly rated peer group. Again, if one were to completely ignore the five basis points of new issue premium, PacifiCorp's issuance still delivered 14 basis points of savings. Similarly, JPMorgan's analysis (Confidential Exhibit RMP___(BNW-12)) concludes that PacifiCorp's October, 2007 issuance was 13 basis points lower than the average rate obtained by a group of comparable A-rated utility issuances of 30 year first mortgage bonds. This analysis includes no new issuance premium, again demonstrating that Commitment No. 37 was met.

Q. What should the Commission conclude from these studies?

A. The Commission should conclude that the Company has appropriately met Commitment No. 37 and no further action is necessary. The Company has provided a number of studies on each of its debt issuances subject to Commitment No. 37. These studies utilize several methods to assess whether the commitment was met. In the facts before the Commission, one can exclude the new issue premium from secondary levels and PacifiCorp's issuances clearly still provided the savings required under Commitment No. 37.

However, this does not mean that new issuance premiums should be ignored in determining PacifiCorp's compliance with Commitment No. 37. It is necessary for the investment bankers to add a new issue premium to the secondary trading levels to make a valid comparison to new-issuance levels. It is a reality of the market place that during nearly all markets an issuer must offer a premium on a new issuance relative to the yields on comparable secondary issues in order to attract investors. Therefore, in nearly all circumstances the investment bankers will need to estimate a new issuance premium and PacifiCorp will continue to provide documentation of its compliance with Commitment No. 37 by providing several methods of determining if the 10 basis point spread was achieved.

Rating Agency Ratios

Q. Is Mr. Lawton's statement accurate that his recommended overall cost of capital provides coverage ratios sufficient for the Company to maintain financial integrity?

A. No. The major rating agencies have moved away from relying on pre-tax interest coverage as a key credit ratio. They focus more on cash flow measures rather than income as a determinant of credit worthiness. Standard & Poor's has gone as far as to eliminate pre-tax interest coverage as a key credit ratio. (June 2, 2004 S&P Research Report).

Even if interest coverage ratios were still used by the rating agencies as primary credit metrics, Mr. Lawton's calculation is inappropriate. The rating agencies make numerous adjustments to the financial statements of a utility before calculating their credit metrics. For instance, my direct testimony described the adjustments made to account for purchase power agreements. Mr. Lawton's calculations simply ignore these adjustments and other realities of the rating agencies credit procedures. Secondly, Mr. Lawton has assumed the ratios he obtains are within the range of acceptable coverage ratios for the credit rating that PacifiCorp carries. He provides no evidence whether this is true or not. Unfortunately, since the rating agencies rely on cash flow metrics (funds from operations coverage ratios), Mr. Lawton's ratios are simply irrelevant.

Rating Agency Business Position

Q. In footnote 7 on page 8 of his testimony, Mr. Peterson states that Standard & Poor's assigns a risk profile grade between 1 to 10 depending on its evaluation of the company's business and regulatory environment. Do you agree?

A. No. Standard & Poor's continues to assign a business position to a utility, but they no longer use the 1 to 10 scoring system. Standard & Poor's now employs a rating of Excellent, Strong, Satisfactory, Weak and Vulnerable to represent its opinion of the utility's business risk. These Business Risk Profiles are contrasted with Financial Risk Profiles that include Minimal, Modest, Intermediate, Aggressive and Highly Leveraged. While these measures form a matrix of business and financial risk, Standard & Poor's cautions that they do not assign credit ratings strictly based on what part of the matrix a utility finds itself in. Standard & Poor's indicates that the matrix is merely a guide and there are many other positives and negatives that affect credit quality and could result in a credit rating different from that implied by the matrix.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.