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

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

Qualifications

Q. Please briefly describe your education and business experience.

A. I received a Bachelor of Science degree in Business Administration with a concentration in Finance from Oregon State University in June 1980. I also received the Chartered Financial Analyst designation upon passing the examination in September 1986. I have been employed by the Company for 22 years. My business experience has included financing of the Company's electric operations and non-utility activities, investment management, and investor relations.

Q. Please describe your present duties.

A. I am responsible for the Company's treasury, credit risk management, pension and other investment management activities. In this proceeding, I am responsible for the preparation of Rocky Mountain Power's embedded cost of debt and preferred equity and the testimony related to capital structure.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. I will first present a financing overview of the Company. Next, I will discuss the planned amounts of common equity, debt, and preferred stock to be included in the Company's planned capital structure. I will then analyze the embedded cost

of debt and preferred stock supporting Rocky Mountain Power's electric operations in the state of Utah for the period of July 2008 through June 2009. This analysis includes the use of forward interest rates, historical relationship of security trading patterns, and known and measurable changes to the debt and preferred stock portfolios.

Q. What time period does your analysis cover?

A. The test period in this proceeding is the twelve months ending June 30, 2009. To appropriately match the Company's costs with customers' rates, the capital structure and costs of debt and preferred applied in this case are the average of those measures at June 30, 2008 and June 30, 2009. The determination of the embedded cost of debt and preferred stock was conducted using the Company's actual costs at October 31, 2007 adjusted for changes through those two dates as I later detail in this filing.

Q. Please explain Rocky Mountain Power's requirements to generate new capital?

A. To address the load growth challenges outlined in Mr. Walje's testimony, the Company is in the process of completing or adding significant new generation, transmission and environmental resources as well as local distribution facilities. This new investment will require the Company to raise approximately $2.6 billion of new long-term debt in the capital markets over the next three years while also receiving new capital contributions from its parent company and retaining all earnings during this period.

Q. What is the overall cost of capital that you are proposing in this proceeding?

A. Rocky Mountain Power is proposing an overall cost of capital of 8.59 percent. This cost includes the Return on Equity recommendation from Dr. Hadaway and the following capital structure and costs:

Rocky Mountain Power

Overall Cost of Capital

Component	Percent of Total	% Cost	Weighted Average
Long Term Debt	47.9%	6.28%	3.01%
Preferred Stock	0.4%	5.41%	0.02%
Common Stock Equity	51. 7%	10.75%	5.56%
Total	100.0%		8.59%

Financing Overview

Q. How does the Company finance its electric utility operations?

A. The Company finances the cash flow requirements of its regulated utility operations utilizing a reasonable mix of debt and equity designed to provide a competitive cost of capital and predictable capital market access.

Q. How does the Company meet its debt and preferred equity financing requirements?

A. The Company relies on a mix of first mortgage bonds, other secured debt, tax exempt debt, unsecured debt and preferred stock to meet its long-term debt and preferred stock financing requirements.

The Company has concluded the majority of its long-term financing

utilizing secured first mortgage bonds issued under the Mortgage Indenture dated January 9, 1989. Exhibit RMP___(BNW-1) shows that, as of June 30, 2009 the Company is projected to have approximately $5.0 billion of first mortgage bonds outstanding, with an average cost of 6.57 percent and average remaining maturity of 19 years. Presently, all outstanding first mortgage bonds bear interest at fixed rates. Proceeds from the issuance of the first mortgage bonds (and other financing instruments) are used to finance the combined utility operation and are not allocated on a divisional basis.

Another important source of financing has been the tax-exempt financing associated with certain qualifying equipment at power generation plants. Under arrangements with local counties and other tax-exempt entities, the Company borrows the proceeds and guarantees the repayment of the long-term debt in order to take advantage of their tax-exempt status in financings. As of June 30, 2009 the Company's tax-exempt portfolio is projected to be $738 million in principal amount with an average cost of 4.60 percent (which includes the cost of issuance and credit enhancement).

Planned Capital Structure

Q. How did you determine the amount of common equity, debt, and preferred stock to be included in Rocky Mountain Power's planned capital structure?

A. As a regulated utility, Rocky Mountain Power has a duty and an obligation to provide safe, adequate and reliable service to customers in its Utah service territory while balancing cost and risk. Significant capital expenditures for new generation, transmission and distribution plant investment, operating and

maintenance costs for new and existing utility plant assets and clean air investments are required for Rocky Mountain Power to fulfill this obligation. Through its planning process, the Company determined the amounts of necessary new financing needed to support these activities and calculated the required equity and debt ratios required to maintain our current 'A-' credit rating for senior secured debt.

Q. Have the Company's recent actions and budgets reflected an expectation that the capital structure will include an increase in equity?

A. Yes. Following the acquisition by MidAmerican Energy Holdings Company on March 21, 2006, the Company has received a total of $415 million of cash capital contributions from its direct parent company, PPW Holdings, LLC. Similarly, the Company's budget includes additional cash equity contributions of $350 million prior to June 30, 2009.

Q. Why is there the need for additional equity in the capital structure?

A. The Company's preliminary budget reflects the cost increases described in this case, including investment in utility plant and power costs. These cost increases, coupled with the credit rating agencies expectations for credit metrics and balance sheet strength, mean that additional equity will be required along with improved business results and other considerations to support our current 'A-' credit rating from Standard & Poor's, its 'A3' rating from Moody's Investors Service ("Moody's"), and 'A-'from Fitch Ratings.

Q. Please describe the changes to the Company's levels of debt financing.

A. Over the period ending June 30, 2009, the balance of the outstanding long-term

debt will change through maturities, principal amortization and sinking fund requirements, and issuance of new securities. Based upon the long-term debt series outstanding at October 31, 2007, I have calculated the reduction to the outstanding balances for maturities, principal amortization and sinking fund requirements, which are scheduled to occur during the period ending June 30, 2009. The total long-term debt maturities and principal amortized over this period is $412.4 million. Then I added $1.0 billion of long-term debt issuances necessary to fund our operations and to refinance the debt maturing through June 30, 2009. This new debt financing is consistent with our budget and balanced by the projected increase in equity provided through the cash infusion from our parent company, as discussed above, as well as increased retained earnings.

Q. How does this projected capital structure compare to comparable electric utilities?

A. The projected capital structure is consistent with the comparable group that Dr. Hadaway has selected in his estimate of Return on Equity. Both the Company and the group of comparable companies show an increasing percentage of common equity in their capital structures. The Value Line estimate of common equity ratio for the comparable group is 50.7 percent.

Q. Is the proposed capital structure consistent with the Company's current credit rating?

A. Yes. This capital structure is intended to enable the Company to deliver its required capital expenditures while maintaining credit ratios that support the continuance of our current 'A-' credit rating.

Q. How does maintenance of a strong credit rating benefit customers?

A. The credit rating given to a utility has a direct impact on the price that utility pays to attract the capital necessary to support its current and future operating needs. A strong credit rating directly benefits customers by reducing immediate and future borrowing costs related to the financing needed to support regulatory operations.

Q. Are there other benefits?

A. Yes. During periods of capital market disruptions, higher-rated companies are more likely to have on-going, uninterrupted access to capital. This is not always the case with lower-rated companies, which during such periods find themselves either unable to secure capital or able to secure capital only on unfavorable terms and conditions. In addition, higher-rated companies have greater access to the long-term markets for power purchases and sales. Such access provides these companies with more alternatives when attempting to meet the current and future load requirements of their customers. Finally, a company with strong ratings will often avoid having to meet costly collateral requirements that are typically imposed on lower-rated companies when securing power in these markets.

Q. Is the Company subject to rating agency debt imputation associated with Purchase Power Agreements?

A. Yes. Rating agencies and financial analysts consider Purchase Power Agreements (PPAs) to be debt-like and will impute debt and related interest when calculating financial ratios. For example, Standard & Poor's Ratings Services (S&P) will adjust the Company's published financial results and add in debt and interest resulting from PPAs when assessing creditworthiness. They do so in order to

obtain a more accurate assessment of a company's financial commitments and fixed payments. Exhibit RMP___(BNW-2) is the May 12, 2003 publication by S&P detailing its view of the debt aspects of PPAs which was refined in the March 30, 2007 publication (Exhibit RMP___(BNW-3)).

Q. How does this impact the Company?

A. During a recent ratings review, S&P evaluated our PPAs and other related long-term commitments. The impact of PPAs was approximately $469 million of additional debt and related interest expense being added to our debt and coverage tests.

Q. How would the inclusion of this PPA related debt affect the Company's capital structure?

A. By including the $469 million imputed debt resulting from PPAs, the Company's capital structure would have a lower equity component as a corollary to the higher debt component.

Financing Cost Calculations

Q. How did you calculate the Company's embedded costs of long-term debt and preferred stock?

A. I calculated the embedded costs of debt and preferred stock using the methodology relied upon in the Company's previous rate cases in Utah and other jurisdictions.

Q. Please explain the cost of debt calculation.

A. I calculated the cost of debt by issue, based on each debt series' interest rate and net proceeds at the issuance date, to produce a bond yield to maturity for each

series of debt. It should be noted that in the event a bond was issued to refinance a higher cost bond, the pre-tax premium and unamortized costs, if any, associated with the refinancing were subtracted from the net proceeds of the bonds that were issued. The bond yield was then multiplied by the principal amount outstanding of each debt issue, resulting in an annualized cost of each debt issue. Aggregating the annual cost of each debt issue produces the total annualized cost of debt. Dividing the total annualized cost of debt by the total principal amount of debt outstanding produces the weighted average cost for all debt issues. This is the Company's embedded cost of long-term debt.

Q. How did you calculate the embedded cost of preferred stock?

A. The embedded cost of preferred stock was calculated by first determining the cost of money for each issue. This is the result of dividing the annual dividend rate by the per share net proceeds for each series of preferred stock. The cost associated with each series was then multiplied by the total par or stated value outstanding for each issue to yield the annualized cost for each issue. The sum of annualized costs for each issue produces the total annual cost for the entire preferred stock portfolio. I then divided the total annual cost by the total amount of preferred stock outstanding to produce the weighted average cost of all issues. This is the Company's embedded cost of preferred stock.

Q. A portion of the securities in the Company's debt portfolio bears variable rates. What is the basis for the projected interest rates used by the Company?

A. The majority of the Company's variable rate debt is in the form of tax-exempt

debt. Exhibit RMP___(BNW-4) shows that these securities on average had been trading at approximately 83 percent of the 30-day LIBOR (London Inter Bank Offer Rate) for the period January 2000 through October 2007. Therefore, the Company has applied a factor of 83 percent to the forward 30-day LIBOR Rates at June 30, 2008 and June 30, 2009 and then added the respective credit enhancement and remarketing fees for each floating rate tax-exempt bond. Credit enhancement and remarketing fees are included in the interest component because these are costs which contribute directly to the interest rate on the securities.

Q. Regarding the $1.0 billion of new long-term debt issuances mentioned above, how did you determine the interest rate for this new long-term debt?

A. I projected this debt would be issued at the Company's estimated November 2007 credit spread over the projected long-term Treasury rates as of June 30, 2009. Finally, I added in the effect of issuance costs. This reflects the Company's best estimate of the cost of new debt, assuming the Company's senior secured long-term debt ratings remain unchanged. Currently the Company's senior secured long-term debt is rated A- and A3 by Standard & Poor's and Moody's respectively.

Q. What is the resulting estimated interest rate for this new long-term debt?

A. The Company's estimated November 2007 credit spread for twenty-year debt was 1.52 percent. The forward long-term Treasury rate for June 30, 2009, is 4.91 percent. Issuance costs for this type of debt add approximately 9 basis points (*i.e.*, 0.09 percent) to the all-in cost. Therefore the projected cost of replacement debt is 4.91 + 1.52 + 0.09 = 6.52%.

Embedded Cost of Long-Term Debt

Q. What is the Company's embedded cost of long-term debt?

A. The cost of long-term debt is 6.28 percent, which is the weighted average of the costs at June 30, 2008 and June 30, 2009 as shown in Exhibit RMP___(BNW-1).

Embedded Cost of Preferred Stock

Q. What is the Company's embedded cost of preferred stock?

A. Exhibit RMP___(BNW-5) shows the embedded cost of preferred stock at June 30, 2008 and also June 30, 2009 at 5.41 percent.

Fulfillment of MEHC Commitment

Q. Did Rocky Mountain Power and MidAmerican Energy Holdings Company (MEHC) make certain commitments concerning cost of incremental debt?

A. Yes. During the regulatory approval process related to the acquisition of the Company, MEHC stated that the incremental cost of long-term debt would be reduced as a result of the acquisition by MEHC, due to the association with Berkshire Hathaway. In Docket No. 05-035-54, MEHC and Rocky Mountain Power made a formal commitment (General Commitment 37) that over the next five years, they would demonstrate that incremental long-term debt issuances would be at a spread ten basis points below its similarly rated peers.

Q. Has the Company issued any debt that would be subject to this commitment?

A. Yes. On August 10, 2006, the Company issued $350 million of new long-term debt. In addition, on March 9, 2007 the Company issued $600 million of new long-term debt. More recently, on October 3, 2007 the Company issued $600 million of 6.25 percent first mortgage bonds due October 15, 2037.

Q. Have you assessed whether the MEHC commitment was fulfilled with respect to this long-term debt issuance?

A. Yes. Based on separate studies by banks knowledgeable about the Company's debt issuances, market conditions and long-term debt issuances by other market participants, the Company's issuances of long-term debt not only met, but exceeded, the promised level of savings. Confidential Exhibit Nos. RMP___(BNW-6), (BNW-7), (BNW-8), (BNW-9), (BNW-10), (BNW-11), (BNW-12), (BNW-13) and (BNW-14) demonstrate that each of the respective issuances of long term debt fulfilled the requirements of General Commitment 37.

Q. Does this conclude your testimony?

A. Yes.