

- Thomas B. Specketer, MEC's Vice President of U.S. Regulatory Accounting and Controller, will testify about the costs of certain common services to be provided to PacifiCorp, MEC and other MEHC subsidiaries. Mr. Specketer will describe the procedures for sharing services between MEHC and its affiliates, the joint administrative services agreement applicable to MEHC and its affiliates, and the implications and benefits for PacifiCorp customers. He will also sponsor some of the regulatory oversight commitments being offered by MEHC and PacifiCorp.

In addition to each of the above-mentioned MEHC witnesses, Judi Johansen, President and CEO of PacifiCorp, will testify regarding PacifiCorp's support for the transaction and the reasons for the sale of PacifiCorp by Scottish Power plc ("ScottishPower").

MEHC And Its Business Activities

Q. Please explain the business activities of MEHC.

A. MEHC is a privately-held global company engaged primarily in the production and delivery of energy from a variety of fuel sources – including coal, natural gas, geothermal, hydroelectric, nuclear, wind and biomass. MEHC has access to significant financial and managerial resources through its relationship with Berkshire Hathaway. The other three owners of MEHC are Walter Scott, Jr. (including family interests), David Sokol (Chairman and CEO of MEHC) and me.

MEHC's global assets total approximately \$20 billion, and its 2004 revenues totaled \$6.6 billion. MEHC's six major business platforms are as follows:

1 fits well with PacifiCorp's profile, and as a consequence, the proposed transaction
2 offers significant benefits for PacifiCorp customers, employees and communities.

3 MEHC is uniquely suited to undertake the infrastructure investments
4 PacifiCorp faces in the coming years since it is privately-held and not subject to
5 shareholder expectations of regular, quarterly dividends and relatively high
6 returns on investments. MEHC's investors are focused on increasing value
7 through significant, long-term investment in well-operated energy companies that
8 offer predictable, reasonable returns.

9 MEHC's business strategy should provide PacifiCorp customers,
10 employees, communities, and regulators with valuable stability. Indeed, they
11 would be justified in expecting that MEHC will be the last owner of PacifiCorp.
12 As a result, PacifiCorp's management and employees will be able to focus on
13 exceeding customer expectations.

14 The opportunities for a successful transaction and transition are enhanced
15 by the significant similarities between PacifiCorp and MEC. As discussed by
16 MEHC witness Gale, the utilities' similarities include: comparable service
17 territories (e.g., multi-state areas with relatively low population density and few
18 large urban centers); a mix of retail-access and traditionally regulated utility
19 business; a focus on customer satisfaction and employee safety; use of renewable
20 energy technologies; use of low-sulfur, Western-basin coals; a long history of
21 providing DSM and energy efficiency programs; and use of collaborative
22 processes to develop environmental, DSM and energy efficiency programs.

1 over the post-acquisition five-year period. MEHC witness Goodman will testify
2 regarding this benefit in greater detail.
3

- 4 • **Corporate Overhead Charges:** MEHC commits that the corporate
5 charges to PacifiCorp from MEHC and MEC will not exceed \$9 million
6 annually for a period of five years after the closing on the proposed
7 transaction. (In FY2006, ScottishPower's net cross-charges to PacifiCorp
8 are projected to be \$15 million.) MEHC witness Specketer testifies
9 regarding this benefit in greater detail.
10
- 11 • **Future Generation Options:** In Exhibit UP&L__(BEG-1), MEHC and
12 PacifiCorp adopt a commitment to source future PacifiCorp generation
13 resources consistent with the then current rules and regulations of each
14 state. In addition to that commitment, for the next ten years, MEHC and
15 PacifiCorp commit that they will submit as part of any RFPs --including
16 renewable energy RFPs --a 100 MW or more utility "own/operate"
17 proposal for the particular resource. It is not the intent or objective that
18 such proposals be favored over other options. Rather, the option for
19 PacifiCorp to own and operate the resource which is the subject of the
20 RFP will enable comparison and evaluation of that option against other
21 alternatives. In addition to providing regulators and interested parties with
22 an additional viable option for assessment, it can be expected that this
23 commitment will enhance PacifiCorp's ability to increase the proportion
24 of cost-effective renewable energy in its generation portfolio, based upon
25 the actual experience of MEC and the "Renewable Energy" commitment
26 offered below.
27
- 28 • **Renewable Energy:** MEHC reaffirms PacifiCorp's commitment to
29 acquire 1400 MW of new cost-effective renewable resources, representing
30 approximately 7% of PacifiCorp's load. MEHC and PacifiCorp commit to
31 work with developers and bidders to bring at least 100 MW of cost-
32 effective wind resources in service within one year of the close of the
33 transaction.
34

35 MEHC and PacifiCorp expect that the commitment to build the Walla-
36 Walla and Path C transmission lines will facilitate up to 400 MW of
37 renewable resource projects with an expected in-service date of 2008 -
38 2010. MEHC and PacifiCorp commit to actively work with developers to
39 identify other transmission improvements that can facilitate the delivery of
40 wind energy in PacifiCorp's service area.
41

42 In addition, MEHC and PPW commit to work constructively with states to
43 implement renewable energy action plans so as to enable achievement of
44 PacifiCorp's 1400 MW commitment.
45

1 The commitments by MEHC and PacifiCorp, coupled with the continued
2 ability of PacifiCorp management to make state policy and business decisions,
3 will allow PacifiCorp to continue its efforts to expand energy efficiency system-
4 wide, and take advantage of its increased financial resources to upgrade its current
5 institutional capacities to acquire cost-effective savings.

6 **Q. Are there other benefits that will accrue to customers as a result of the**
7 **proposed transaction?**

8 A. Yes. Benefits also result from making the commitments contained in Exhibit
9 UP&L__(BEG-1) uniform across all states. With the exception of a few state-
10 specific commitments noted in that exhibit, the commitments will be applied in all
11 six states. This will enable regulators to have a consistent and readily identifiable
12 set of commitments and simplify administration for PacifiCorp. Because the
13 previous commitments were not uniform across the states, uniform application of
14 the commitments will mean that every state will be receiving some additional
15 commitments that were not previously applicable to it.

16 We also believe that the benefit of MEHC's long-term ability and
17 willingness to invest in energy infrastructure is significant and real but not readily
18 capable of quantification. Similarly, the stability of ownership of MEHC and
19 Berkshire Hathaway provides security for customers, employees and the states
20 served.

21 **PacifiCorp Operations Post-Transaction**

22 **Q. How will PacifiCorp operate after completion of the transaction?**

23 A. PacifiCorp will operate very much like it does today. PacifiCorp will become a