

- 1 • PacifiCorp will become a separate business platform under MEHC, with
2 its own business plan, its own management, its own state policies, and the
3 responsibility for making decisions that achieve the objectives identified
4 in the testimony of MEHC witness Abel (i.e., customer satisfaction,
5 reliable service, employee safety, environmental stewardship, and
6 regulatory/legislative credibility).
7
- 8 • The many similarities between MEC and PacifiCorp will facilitate an easy
9 transition of PacifiCorp as a separate subsidiary of MEHC.
10
- 11 • MEC’s operations, as a subsidiary of MEHC, provide demonstrable
12 evidence that PacifiCorp will have the ability to continue its emphasis on
13 key utility performance areas such as: customer service; safety; integrated
14 resource planning; a balanced mix of generating resources, including
15 renewable generation; use of energy efficiency and demand-side
16 management (“DSM”); investment in environmental emission control
17 technology; and collaborative processes.
18

19 **MEHC and PacifiCorp Commitments**

20
21 **Q. Please explain the uniform set of commitments you referenced.**

22 A. MEHC and PacifiCorp have reviewed the commitments required by the six states
23 in the Scottish Power plc (“ScottishPower”) transaction. We have also met with
24 numerous groups that may have an interest in this transaction and asked them to
25 identify the risks and concerns that they have at this time.

26 Exhibit UP&L__(BEG-1) responds to the risks and concerns addressed in
27 the previous PacifiCorp transaction and to many of the risks and concerns that
28 have been raised in the meetings with interested groups. This Exhibit identifies
29 MEHC’s and PacifiCorp’s commitments to address these risks and concerns. The
30 new commitments sponsored by MEHC witness Mr. Abel address other concerns
31 expressed in the meetings with interested groups. MEHC and PacifiCorp propose
32 that the commitments in this Exhibit and those in MEHC witness Mr. Abel’s
33 Exhibit UP&L__(GEA-1), supersede prior commitments and apply upon the close

1 and practicable; such conditions include ice, floods, tornados, storms and
2 snow.

- 3 • Regulated delivery and electric supply services are provided in multiple
4 state jurisdictions, with at least one state having competitive retail electric
5 supply access.
- 6 • The economy of the service area is significantly tied to the land
7 (agriculture, forestry, and mining).
- 8 • On the whole, the area served has a comparatively low-density population
9 except for a few major population centers.

10
11 The maps attached to Exhibit UP&L__(BEG-2) provide some additional
12 information regarding the similarities.

MidAmerican Energy Company

13 **Q. Please provide some historical background on MEC.**

14 A. MEC and its predecessor corporations (e.g., Iowa Power Inc., Iowa-Illinois Gas and
15 Electric Company, Iowa Public Service Company and their respective predecessors)
16 have been providing electric service in Iowa, Illinois and South Dakota for
17 approximately 100 years. MEC is the product of a merger between Midwest Power
18 Systems Inc. and Iowa-Illinois Gas and Electric Company in 1995. Midwest Power
19 Systems Inc., in turn, was the result of a prior merger between Iowa Power Inc. and
20 Iowa Public Service Company¹ in 1992. In 1999, MEC was acquired by CalEnergy
21 Company Inc. (subsequently known as “MidAmerican Energy Holdings Company” or
22 “MEHC”), and in 2000, MEHC and an investor group comprised of Berkshire
23 Hathaway Inc, Walter Scott, Jr. (a director of MEHC), David Sokol (Chairman and
24 Chief Executive Officer of MEHC), and
25

¹ The utilities’ parent holding companies (non-registered, exempt holding companies), Iowa Resources Inc. and Midwest Energy Company, were previously merged in 1990 creating a new holding company (also a non-registered, exempt holding company) called Midwest Resources Inc.

- 1 PacifiCorp and MEC under Section 205 of the Federal Power Act;
- 2 • review of the proposed transaction by the U.S. Department of Justice
- 3 under the Hart-Scott-Rodino Act; and
- 4 • approval by the Federal Communications Commission of the change of
- 5 control with respect to certain communication licenses held by PacifiCorp.

6 **Market Monitor and Transmission Services Coordinator**

7 **Q. Please describe the Market Monitor Proposal that MEHC has put forward in**

8 **connection with its proposed acquisition of PacifiCorp.**

9 A. Under the proposal, MEC and PacifiCorp would each contract with a market

10 monitor to assure nondiscrimination in the management of each company's

11 transmission systems commencing on the day of the closing of the acquisition. A

12 market monitor is an independent organization retained to review, on an after-the-

13 fact basis, transmission system operations necessary to ensure the transmission

14 provider does not favor its wholesale merchant function or any energy affiliate.

15 The market monitor would review and report to the FERC on such matters as the

16 utility's performance of the following transmission functions:

- 17 • generation dispatch and potential impacts on constrained facilities,
- 18 • actions to relieve constrained facilities,
- 19 • derating of transmission facilities, and
- 20 • ratings and other data used for total transfer capability calculations.

21 **Q. What are the expected costs to PacifiCorp of the market monitor?**

22 A. Bids for the market monitor services have not yet been solicited. However, we

23 estimate that the on-going costs to PacifiCorp will be about \$200,000 annually.

1 **Q. Does the market monitor proposal impact the development of Grid West?**

2 A. No. The efforts are complementary. For example, it is possible that some market
3 monitor services may be provided as an early service by Grid West. When Grid
4 West is fully operational it should obviate the need for a market monitor for
5 PacifiCorp, since Grid West would be providing non-discriminatory transmission
6 services to multiple parties including PacifiCorp.

7 **Q. Will Grid West also serve MEC?**

8 A. No, at least not for the foreseeable future. Subject to regulatory approval, MEC is
9 planning to enter into a contract with an outsource provider of transmission
10 services to be known as the transmission service coordinator (“TSC”). The TSC
11 initially will administer or oversee only MEC’s transmission assets. However,
12 MEC is working with other utilities located to its west that currently are not part
13 of any regional transmission organization to consider having them also use the
14 TSC. Ultimately, the TSC may provide transmission services to an area abutting
15 that of Grid West. At such time, it may be appropriate to put into place a seams
16 agreement between the TSC and Grid West to enhance transmission system
17 coordination among transmission users in the states served by PacifiCorp and
18 MEC.

19 **Proposed Schedule**

20 **Q. When does MEHC expect to complete the process of obtaining all of the**
21 **foregoing approvals and reviews?**

22 A. We very much want to complete all of the state approvals by February 28, 2006,
23 in time to close on the transaction on or before March 31, 2006. This is an

1 important transaction for PacifiCorp customers, employees and communities. In
2 order to mitigate the ill effects of uncertainty and expedite the delivery of
3 important benefits, we respectfully request that the Commission act in a manner
4 that will facilitate an order by February 28, 2006.

5 Closing on that date will also facilitate the transition of PacifiCorp's
6 financial reporting from a fiscal year ending March 31 as used by Scottish Power
7 to a calendar fiscal year consistent with how MEHC companies report their
8 financial statements. Such calendar year reporting is also consistent with
9 regulatory reporting, which should enable regulators to utilize a single year's
10 audited financial statements rather than have regulatory reporting span two fiscal
11 years.

12 **Q. Does this conclude your testimony?**

13 **A.** Yes, it does.