

1 **Q. Please state your name, business address and position with PacifiCorp (the**
2 **Company).**

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

5 **Qualifications**

6 **Q. Mr. Williams, please briefly describe your education and business**
7 **experience.**

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

15 **Q. Please describe your present duties.**

16 A. I am responsible for the Company's treasury, credit risk management, pension
17 and other investment management activities.

18 **Purpose of Testimony**

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

20 A. I will present the adverse financial impacts that would result if Mr. Charles King's
21 proposed depreciation adjustment is adopted.

22

23 **Adverse Financial Impact**

24 **Q. Have you modeled the financial impacts of Mr. King's proposed depreciation**
25 **rate changes?**

26 **A.** Yes. These proposed changes would result in reduced cash flow, higher debt
27 levels, increased interest expense and may ultimately lead to a downgrade in the
28 Company's credit rating.

29 **Q. Please explain.**

30 **A.** The Company has calculated the impact under the 2006 Ten Year Plan that would
31 result from the proposed depreciation change. The financial impacts are clear and
32 adverse to the financial health of PacifiCorp.

- 33 • Cash from operations would be reduced by \$28 million per year on average.
- 34 • Debt would increase by approximately \$255 million during the period 2008
35 through 2016.
- 36 • The increase in debt would result in \$65 million of additional interest expense
37 over that time period.

38 **Q. Would there be any impact to the Company's credit ratings?**

39 **A.** Quite possibly. PacifiCorp's financial results and ratios were already challenged
40 to support our existing 'A-' and 'A3' credit ratings by Standard & Poor's and
41 Moody's, respectively. As Standard & Poor's wrote in March, 2007 "Currently
42 the utility's stand alone credit metrics are in the 'BBB' category....." The higher
43 ratings that PacifiCorp presently enjoys are a benefit from the association with
44 MidAmerican Energy Holdings Company and Berkshire Hathaway. Clearly, the
45 adverse impact would put further pressure on the already stretched ratios.

46 **Q. Could these adverse financial impacts be offset?**

47 A. Possibly but not without a significant undertaking. It would require about \$100
48 million of additional new cash equity from our parent company to offset the
49 adverse impact on key financial ratios. Please be aware while MidAmerican
50 Energy Holdings Company has made \$415 million of new cash capital
51 contributions since acquiring PacifiCorp, while receiving no dividends, there is no
52 commitment or requirement that MidAmerican Energy Holdings Company make
53 such a contribution.

54 **Q. You mentioned that these impacts were measured under the 2006 Ten Year**
55 **Plan. Is there more up to date information available?**

56 A. Not yet as PacifiCorp is still preparing the 2007 Ten Year Plan. However, it
57 appears very likely that the actual impact will be even more adverse than those
58 cited above.

59 **Q. Why is that?**

60 A. PacifiCorp is now expecting, subject to finalization of the Plan, even higher levels
61 of capital expenditures than contemplated a year ago. For example, the Company
62 has announced plans to build 1,200 miles of transmission lines from Wyoming to
63 Utah and other western states at an estimated cost of \$4 billion.

64 **Q. How would the proposed depreciation change impact customers going**
65 **forward?**

66 A. If Mr. King's proposed depreciation change is adopted, our customers would pay
67 approximately an additional \$600 million over the asset life for every \$1 billion
68 increment of new capital investment. This and other consequences are further

69 discussed in the testimony of Company witness, Mr. Roff.

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

71 **A. Yes.**