

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Jeffery J. Gust, and my business address is 4299 NW Urbandale
4 Drive, Urbandale, Iowa, 50322.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by MidAmerican Energy Company (“MEC”), the Iowa-based
7 utility operation owned by MidAmerican Energy Holdings Company (“MEHC”).
8 I serve as Vice President – energy supply management for MEC. In that capacity
9 I have responsibility for the following MEC functions: electric trading, gas
10 supply and trading, fuel trading and transportation, and MEC’s ownership interest
11 in Quad Cities Nuclear Power Station.

12 **Q. Please summarize your education and business experience.**

13 A. In 1985, I graduated from Iowa State University with a Bachelor of Science
14 degree in Engineering Science. After graduation, I was employed by Iowa
15 Electric Light and Power Company for four (4) years in the engineering
16 department as a mechanical engineer. In 1990, I joined Iowa Power Inc., a MEC
17 predecessor corporation, as a production analysis engineer. In 1993, I began
18 working in the interutility marketing department as a bulk power engineer,
19 eventually earning a promotion to the position of Senior Bulk Power Engineer. In
20 January 1998, I was promoted to Manager, Bulk Power Marketing for MEC, and
21 in April 1999, I was promoted to the position of Vice President Electric Trading.
22 In 2004, I assumed my current duties as Vice President – Energy Supply
23 Management.

1 **Summary of Testimony**

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

3 A. As discussed in MEHC witness Mr. Gale’s testimony, the Public Utility Holding
4 Company Act of 1935 (“PUHCA”) has certain requirements with respect to the
5 interconnection and the operation of the PacifiCorp and MEC electric utility
6 systems. My testimony will explain the actions that are being taken to obtain a
7 firm transmission contract path in order to interconnect the PacifiCorp and MEC
8 systems, and will also explain the joint operating agreement (“JOA”) that is being
9 developed between the same parties. Both the contract path and the JOA are
10 being pursued in connection with certain requirements of PUHCA as discussed by
11 Mr. Gale in his testimony.

12 **PacifiCorp and MEC Interconnection**

13 **Q. Please explain where you are in the process of establishing the**
14 **interconnection between PacifiCorp and MEC.**

15 A. PacifiCorp and MEC are in the process of securing a firm transmission service
16 contract path between their respective systems. Once secured, this path will allow
17 the utilities to engage in energy-only or energy and capacity transactions with
18 each other. The contract path will be secured in the near future by means of
19 selecting one of the potential transmission paths currently under consideration.
20 PacifiCorp and MEC initially identified five possible transmission paths across
21 the AC/DC/AC interconnection facility (“DC Tie”) that joins the Eastern and
22 Western Interconnects.

23 PacifiCorp and MEC made transmission requests between their respective

1 systems and each DC Tie in both the easterly and westerly directions. Requests
2 were made for 50 MW of transmission capacity for a one-year period beginning
3 April 1, 2006. Each request includes a roll-over right or a right of first refusal,
4 allowing an extension of the transmission reservation for additional one-year
5 periods, except for requests made on the Nebraska Public Power District
6 (“NPPD”) system. The NPPD tariff does not include roll-over rights, so three-
7 year requests were made from them.

8 Based on information obtained from the transmission providers and
9 Available Transmission Capacity (“ATC”) listed on various transmission
10 providers’ OASIS sites, a preliminary analysis was conducted for each path. It
11 was determined that four of the east to west paths appear to be options, and we
12 expect to secure one 50 MW firm transmission path in the east to west direction.

13 **Q. Please provide an overview of the MEC and PacifiCorp transmission systems**
14 **that will be interconnected by means of this transmission path.**

15 A. MEC owns approximately 4,400 miles of transmission lines ranging from 34.5 kV
16 to 345 kV in the states of Iowa, Illinois, South Dakota and Missouri and is
17 interconnected with other Iowa utility companies and utility companies in
18 neighboring states and is party to an electric generation and transmission pooling
19 agreement administered by the Mid-Continent Area Power Pool (“MAPP”).
20 MAPP is a voluntary association of electric utilities doing business in Iowa,
21 Illinois, Montana, South Dakota, North Dakota, Wisconsin, Minnesota, Nebraska
22 and the Canadian provinces of Saskatchewan and Manitoba. Its membership
23 includes investor-owned utilities, municipal electric utilities, power marketers,

1 regulatory agencies and independent power producers. MAPP facilitates
2 operation of the transmission system and has responsibility for administration of
3 the MAPP Open-Access Transmission Tariff for shorter term transmission
4 requests over a portion of the MAPP generation pooling region.

5 PacifiCorp owns approximately 15,763 miles of transmission lines ranging
6 from 46 kV to 500 kV in the states of Washington, Oregon, California, Idaho,
7 Utah, Wyoming, Montana, Arizona and New Mexico and is interconnected with
8 utilities in these states and in neighboring states. PacifiCorp operates the
9 integrated system in accordance with operating criteria established by the Western
10 Electricity Coordinating Council (“WECC”).

11 A map showing the service territories of PacifiCorp and MEC as well as
12 the major interconnecting transmission lines and inter-ties is attached to Mr.
13 Gale’s testimony as Exhibit No.__(BEG-3).

14 **The Joint Operating Agreement**

15 **Q. Please describe why the JOA is being developed between PacifiCorp and**
16 **MEC.**

17 A. As discussed in Mr. Gale’s testimony, PUHCA requires electric utility companies
18 that are part of the same holding company system be interconnected or capable of
19 interconnection and also that their operations be coordinated. In addition, the
20 Federal Energy Regulatory Commission (“FERC”) requires that parties to any
21 wholesale purchases and/or sales of energy have a tariff or contract approved by
22 FERC prior to engaging in such transactions. MEC and PacifiCorp do not
23 currently have any FERC-approved contracts or tariffs that could be used for the

1 transactions contemplated between the parties. Therefore, the JOA will be filed
2 with FERC, and upon FERC's acceptance or approval, the JOA will be used to
3 facilitate the purchase, sale and exchange of energy between PacifiCorp and
4 MEC. The draft JOA is attached to my testimony as Exhibit No.__(JJG-2). This
5 draft is being provided for informational purposes, but is not yet completed. Once
6 the JOA is completed, PacifiCorp will submit it for any necessary regulatory
7 approvals, in separate regulatory proceedings.

8 The JOA will provide the contractual framework for conducting
9 transactions between MEC and PacifiCorp for the purchase, sale and exchange of
10 wholesale energy, on an economic basis. In addition, the JOA will provide the
11 framework for PacifiCorp and MEC to work together to identify and promote
12 other means of achieving efficiencies in the operation of their respective
13 generating resources, consistent with each utility's existing obligations to provide
14 reliable electric service. This may include, without limitation, evaluating and
15 recommending opportunities to reduce the cost of operating generating resources
16 in areas such as fuel procurement and transportation, operation and maintenance
17 practices and general procurement activity. The JOA establishes an operating
18 committee comprised of representatives from both PacifiCorp and MEC, who are
19 charged with administering the JOA.

20 **Q. Under what circumstances will PacifiCorp and MEC engage in an energy**
21 **transaction?**

22 A. The JOA provides that if one party determines it has energy available for sale or
23 exchange, the parties may engage in such an energy transaction. Neither

1 PacifiCorp nor MEC is obligated to enter into any transactions under the terms of
2 the JOA. It is expected that PacifiCorp and MEC will each separately evaluate
3 whether or not to enter into a potential energy purchase, sale or exchange with the
4 other utility and will enter into such transactions when it is economic for each
5 utility to do so. The service schedules made a part of the JOA set forth the
6 method for determining the price at which such transactions will occur.

7 Generally, sales of energy will be based on a market index price at the time of the
8 transaction. The JOA also provides that the terms and conditions of the Edison
9 Electric Institute (“EEI”) Master Power Purchase and Sale Agreement will be
10 applicable to such transactions. The EEI master agreement prescribes billing and
11 payment terms, establishes standards for the parties’ performance, as well as other
12 routine provisions (e.g., force majeure).

13 **Q. Will the JOA address how the benefits and costs of the contract path are**
14 **allocated between PacifiCorp and MEC?**

15 A. Yes. Once it is completed, Service Schedule C of the JOA will address how the
16 benefits and costs of the contract path are allocated between the parties

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

18 A. Yes, it does.