

Exhibit No. ___ (BEG-9)
Docket No. UE-051090
MEHC Acquisition of PacifiCorp
Witness: Brent E. Gale

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE JOINT)
APPLICATION OF MIDAMERICAN)
ENERGY HOLDINGS COMPANY AND)
PACIFICORP DBA PACIFICORP POWER &)
LIGHT COMPANY FOR AN ORDER)
AUTHORIZING PROPOSED)
TRANSACTION)**

Docket No. UE-051090

**Exhibit to
Rebuttal Testimony of Brent E. Gale**

MEHC Commitments -- Revenue Requirement Impacts

December 2005

MEHC Commitments Revenue Requirement Impacts (\$000) Quantified Revenue Requirement Impacts as of 12/1/05

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2006-2015 Present Value (note 1) |
|--|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| Plant Additions | | | | | | | | | | | |
| Emissions Reductions from Coal-Fired Generation | \$ (745) | \$ (30) | \$ (3,028) | \$ 9,823 | \$ 5,096 | \$ (10,166) | \$ (12,138) | \$ (25,218) | \$ (26,858) | \$ (23,484) | \$ (46,419) |
| Monet-Oquirrh | - | - | (22,723) | (22,723) | (20,458) | 7,248 | 5,932 | 4,983 | 4,504 | 4,361 | (15,771) |
| Asset Risk Program | - | 389 | 890 | 1,339 | 1,224 | 1,138 | 1,067 | 1,004 | 947 | 905 | 5,654 |
| Walla Walla-Yakima | - | - | - | 11,639 | 10,479 | 9,614 | 8,959 | 8,455 | 7,950 | 7,446 | 40,603 |
| Local Transmission Risk Projects | - | 531 | 213 | 731 | 1,332 | 2,813 | 5,221 | 6,758 | 7,679 | 7,117 | 18,578 |
| Change in Revenue Requirements from Plant Additions (a) | \$ (745) | \$ 900 | \$ (1,925) | \$ 809 | \$ (2,326) | \$ 10,647 | \$ 9,042 | \$ (4,018) | \$ (5,776) | \$ (3,655) | \$ 2,844 |
| O&M Increases | | | | | | | | | | | |
| Distribution O&M (Accelerated Distribution Circuit Fusing Program) | \$ - | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ - | \$ - | \$ - | \$ - | \$ 5,684 |
| Distribution O&M (Saving SAIDI Initiative) | \$ - | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,864 |
| Increase in Revenue Requirements from Increased O&M (b) | \$ - | \$ 3,500 | \$ 3,500 | \$ 3,500 | \$ 1,500 | \$ 1,500 | \$ - | \$ - | \$ - | \$ - | \$ 10,548 |
| Cost Reductions | | | | | | | | | | | |
| Reduced Cost of Debt | \$ (400) | \$ (600) | \$ (859) | \$ (1,726) | \$ (2,376) | \$ (2,735) | \$ (3,797) | \$ (4,079) | \$ (4,843) | \$ (4,843) | \$ (15,947) |
| Corporate Overhead Reductions | \$ - | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (6,000) | \$ (35,953) |
| Avoidance of Replacement Power Costs | \$ - | \$ (10,427) | \$ (22,875) | \$ (14,251) | \$ (26,336) | \$ (17,185) | \$ (13,317) | \$ (5,868) | \$ - | \$ - | \$ (79,539) |
| Wheeling Revenues - Walla Walla | \$ - | \$ - | \$ - | \$ - | \$ (7,300) | \$ (7,300) | \$ (7,300) | \$ (7,300) | \$ (7,300) | \$ (7,300) | \$ (25,991) |
| Decrease in Revenue Requirements from Cost Savings (c) | \$ (400) | \$ (17,027) | \$ (29,734) | \$ (21,977) | \$ (42,012) | \$ (33,220) | \$ (30,414) | \$ (23,247) | \$ (18,143) | \$ (18,143) | \$ (157,429) |
| Subtotal - Revenue Requirement Impacts (a + b + c) | \$ (1,145) | \$ (12,627) | \$ (28,159) | \$ (17,668) | \$ (42,838) | \$ (21,073) | \$ (21,372) | \$ (27,265) | \$ (23,919) | \$ (21,798) | \$ (144,037) |
| Path C Enabled Net Benefits (d) | \$ - | \$ - | \$ - | \$ - | \$ (9,643) | \$ (11,646) | \$ (9,526) | \$ (22,202) | \$ (24,041) | \$ (23,089) | \$ (56,986) |
| Total Revenue Requirements Impacts (a + b + c + d) | \$ (1,145) | \$ (12,627) | \$ (28,159) | \$ (17,668) | \$ (52,481) | \$ (32,719) | \$ (30,898) | \$ (49,467) | \$ (47,960) | \$ (44,887) | \$ (201,023) |
| Washington Revenue Requirement Impacts (5% of total) | \$ (92) | \$ (1,010) | \$ (2,253) | \$ (1,413) | \$ (4,198) | \$ (2,618) | \$ (2,472) | \$ (3,957) | \$ (3,837) | \$ (3,591) | \$ (16,082) |

Note 1 - Present value is calculated at 7.31% discount rate.

Note 2 - Estimated benefits associated with the avoidance of replacement power costs by installing emissions equipment during planned outages rather than scheduling extra outage periods. Benefits are estimated assuming a 50% probability that extending shorter scheduled outages or additional outages may be necessary to install equipment to comply with emerging air quality requirements. The analysis assumes a 35 day outage cycle and power costs based on the most current forward price curve dated 9/30/05.

Note 3 - Wheeling revenues enabled by the Walla Walla-Yakima investment are calculated as \$24.30 x 600 MW of total transfer capability and discounted 50% to reflect the uncertainty of full subscription. Actual revenues may be as high as \$14.3M per year.

Note 4 - The Path C enabled net benefits calculation was determined in preparing PacifiCorp's IRP update and reflects a net present value that includes both the costs and benefits of the Path C investment, including elimination of 2009 and 2013 East side gas resources and the delay of the 2011 resource by one year.

MEHC Commitments Revenue Requirement Impacts (\$000) Quantified Revenue Requirement Impacts as of 12/1/05

Non-Quantified Benefits - Investment Commitments

| | |
|--------------------|---|
| Mona-Oquirrh | Benefits for the Mona-Oquirrh project have not currently been quantified, however, the project enhances reliability, facilitates acceptance of renewable resources and enhances system optimization. Projects enhancing the viability of renewable generation clearly offer societal benefits in the form of portfolio diversification, reduced emissions and conservation of fossil fuel resources. |
| Asset Risk Program | The increase in capital investments in the Asset Risk Program results in benefits that have not currently been quantified. The ARP program was developed to address both the aging T&D assets and improvement of customer reliability performance. Customer benefits will include lower O&M expenses as a result of newer assets placed in service, fewer related capital asset replacements caused by failed equipment, and increased system reliability from reduction in SAIDI outage minutes. |
| Walla Walla-Yakima | In addition to the wheeling revenues identified as cost reductions, the line will help the Pacific Northwest region integrate wind resources into the power system and implement resource planning recommendations made by the Northwest Power and Conservation Council. Projects enhancing the viability of renewable generation clearly offer societal benefits in the form of portfolio diversification, reduced emissions and conservation of fossil fuel resources. |

Local Transmission Risk Projects

Not currently quantified, but will improve system reliability

Non-Quantified Benefits - Other

| | |
|---|---|
| Future Generation Options Renewable Energy | Not currently quantified - benefits will be quantified in future RFP processes Not currently quantified - benefits will be quantified in future RFP processes. Projects enhancing the viability of renewable generation clearly offer societal benefits in the form of portfolio diversification, reduced emissions and conservation of fossil fuel resources. |
| Coal Technology Greenhouse Gas Emission Reductions (SF6) Energy Efficiency and DSM Management | Not separately quantified - benefits included in emissions reductions from coal-fueled generation Not currently quantified, but clearly offers long-term societal benefits Not readily quantifiable, but the benefits should include reduced fuel use, with related environmental and economic benefits, as well as direct customer benefits that may accrue from eliminating or postponing procurement of additional transmission/distribution and generation facilities |
| Customer Service Extension Community Involvement and Economic Development Corporate Presence Regional Transmission | Not readily quantifiable, but clearly offers benefits Not readily quantifiable, but clearly offers benefits Based on estimates using a representative year, if MEHC's leadership results in transmission construction, it could provide regional benefits between \$60 million and \$90 million annually |