Exhibit No. ___T (JT-1T)
Docket No. UE-051090
Witness: Joint

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF MIDAMERICAN ENERGY HOLDING COMPANY AND PACIFICORP DBA PACIFIC POWER & LIGHT COMPANY FOR AN ORDER AUTHORIZING PROPOSED TRANSACTION	**DOCKET NO. UE-051090**

JOINT TESTIMONY OF

KENNETH L. ELGIN
BRENT E. GALE
STEVEN JOHNSON
MICHAEL B. EARLY
CHARLES M. EBERDT

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

January 27, 2006

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I. INTRODUCTION

Q. Please state your names, titles, and who you represent in this matter.

A. Our names, titles and representation are as follows:

- Brent E. Gale will testify on behalf of MidAmerican Energy Holdings Company ("MEHC") and PacifiCorp d/b/a Pacific Power & Light Company ("PacifiCorp"). Mr. Gale is Senior Vice President, Legislation & Regulation, for MidAmerican Energy Company, a subsidiary and business platform of MEHC.
- Kenneth L. Elgin will testify on behalf of the Commission Staff. Mr. Elgin holds the position of Case Strategist.
- Steven Johnson will testify for the Office of Public Counsel. Mr. Johnson is a Regulatory Analyst.
- Michael B. Early will testify for the Industrial Customers of Northwest Utilities ("ICNU"). Mr. Early is the Executive Director of ICNU.
- Mr. Charles M. Eberdt will testify for the Energy Project, which has intervened in this proceeding on behalf of the Opportunities Industrialization Center of Washington ("OIC") in Yakima, Washington and the NW Community Action Center in Toppenish, Washington. Mr. Eberdt is the Director of the Energy Project.

Q. Are you sponsoring joint testimony in support of the Stipulation filed with this Commission on January 20, 2006?

A. Yes. This joint testimony recommends that the Commission approve the Stipulation that was executed by all parties to this proceeding: MEHC, PacifiCorp, Commission Staff, the Office of Public Counsel, ICNU, and The Energy Project (collectively, the "Parties"). The Stipulation received significant scrutiny and is supported by sound analysis and sufficient evidence, including the testimony and exhibits of all Parties that were previously admitted into evidence. Approval of the Stipulation is consistent with the public interest.

Q. Have you provided information pertaining to your educational background and professional experience?

A. Yes. Mr. Gale's background and responsibilities are set forth in his direct testimony, Exhibit No. 21. Mr. Elgin's qualifications can be found in Exhibit No. 182. Mr. Eberdt's qualifications are provided in his direct testimony, Exhibit 131T. The qualifications of Mr. Early and Mr. Johnson are included in Exhibit ___ (Joint-2).

II. THE SCOPE OF THE UNDERLYING DISPUTE

Q. Please describe the filing that gave rise to this proceeding.

A. MEHC and PacifiCorp (together, "Applicants") commenced this proceeding on July 15, 2005 by filing an Application for a Commission order authorizing MEHC to acquire all of PacifiCorp's outstanding common stock from PacifiCorp's current owner, ScottishPower. Approval of the Application would make PacifiCorp an indirect wholly owned subsidiary of MEHC.

The Application was filed under RCW 80.12.020 and WAC 480-143-170. Applicants also submitted direct testimony and exhibits in support of their Application. That presentation explained numerous commitments that Applicants stated would provide benefits to customers and support the public interest. On August 16, 2005, Applicants submitted a revised Application and revisions to certain testimony and exhibits to reflect the impact of the enactment of the Energy Policy Act of 2005, including the repeal of the Public Utility Holding Company Act of 1935 (“PUHCA”).

Similar applications were filed by Applicants in the five other states in which PacifiCorp provides utility service: Utah, Oregon, Idaho, Wyoming and California. Applicants have reached uncontested settlements on their applications in each state, except California where a multi-party settlement has been reached.

Q. Did the other parties investigate the Application and the supporting testimony and exhibits?

A. Yes. They issued numerous data requests and engaged in technical conferences with MEHC and PacifiCorp staff knowledgeable about various aspects of the filing.

Q. Did the other parties file responsive testimony addressing the issues in the Application?

A. Yes, all other parties filed responsive testimony and exhibits, which were followed by Applicants’ filing of rebuttal testimony and exhibits. The record in this case includes the testimony and exhibits filed by all Parties.

Q. Did the other parties dispute issues in the Application?

A. Yes.

Q. What issues in the Application were disputed by Commission Staff?

A. Staff was concerned that the benefits and public interest considerations cited in the Application by MEHC and PacifiCorp were either existing obligations of PacifiCorp under current law or the continuation of existing commitments of ScottishPower. Staff was also concerned that including PacifiCorp in the holding company structure of MEHC would impact PacifiCorp's cost of capital for ratemaking purposes because MEHC planned to carry more debt on its balance sheet to fund its consolidated operations than PacifiCorp would carry on its balance sheet to fund its utility operations. To address this "double leverage" concern, Staff recommended that, upon closing of the acquisition, the Commission re-open PacifiCorp's pending general rate case in Docket No. UE-050864 to determine the impact of MEHC ownership on PacifiCorp's cost of capital for ratemaking purposes.

Q. What issues in the Application were disputed by Public Counsel?

A. Public Counsel was concerned that the Application lacked positive benefits for customers while increasing customer risks. The Application presented a risk that PacifiCorp's customers would subsidize other businesses owned by MEHC or Berkshire Hathaway through unfair transfer prices charged for goods or services sold or purchased within affiliated companies. Public Counsel also was concerned about improper assignment of MEHC employee time to PacifiCorp, and the assignment of Berkshire Hathaway ownership or operating costs to PacifiCorp. Finally, the Application lacked sufficient ring fencing provisions to protect PacifiCorp's financial health in the holding company structure.

Q. What issues in the Application were disputed by ICNU?

A. ICNU was concerned about the overall increase in risk associated with this transaction. Mr. Gorman detailed his concerns about the financial risks. Mr. Canon discussed concerns about the inadequacy of MEHC's conditions and Mr. Wolverton pointed out issues regarding the inter-jurisdictional allocation methodology. ICNU is satisfied that the increased ring-fencing conditions and the rate credits generally address our concerns regarding the increased risk to customers associated with this change in ownership of PacifiCorp. The inter-jurisdictional allocation issues are being addressed in the ongoing PacifiCorp general rate case.

Q. What issues in the Application were disputed by The Energy Project?

A. The Energy Project disputed whether the proposed acquisition by MEHC of PacifiCorp would be detrimental to the interests of PacifiCorp's Washington customers, particularly those customers who are "low-income."

Q. Were the parties able to resolve their issues?

A. Yes. Throughout the proceeding, the Parties engaged in numerous settlement discussions in an effort to resolve the Application.

Moreover, over the course of these discussions, Applicants reached settlements on their applications in Utah, California, Oregon and Idaho. New commitments made by Applicants in those states, which were not included in the original Application in Washington, were offered in Washington under a “most favored nations” approach.

Finally, in an oral ruling rendered January 11, 2006 in a combined hearing in this docket as well as in PacifiCorp’s current general rate proceeding (Docket Nos. UE-050684 and UE-050412), the Commission ordered the Parties to address the impacts of MEHC’s acquisition of PacifiCorp in that current rate case under the current rate case schedule. Staff’s recommendation to condition approval of the Application on reopening the rate case after closing of the transaction thus became moot.

III. THE SCOPE OF THE STIPULATION AND ITS PRINCIPAL ASPECTS

Q. Please describe the scope of the Stipulation and its principal aspects.

A. The proposed Stipulation is a full settlement of all issues presented in this proceeding and has been executed by all parties. Appendix A to the Stipulation contains 53 Commitments applicable to all states in which PacifiCorp provides utility services (2 of the 53 Commitments have intentionally been left blank as a consequence of the trade-offs discussed below) and 26 Commitments applicable to PacifiCorp’s Washington operations.

Q. In addition to the Commitments referenced above, are Applicants offering the Commission the opportunity to adopt commitments or conditions with which Applicants are required to comply in other jurisdictions?

A. Yes. Applicants agree under paragraph 8 of the Stipulation that each state in which PacifiCorp serves will have the opportunity to adopt commitments offered in other states and conditions adopted in other states. This opportunity will also be available to the Commission even if such commitments and conditions are agreed to after the Commission enters its order in this docket. However, in developing the Commitments attached to the Stipulation, the Parties have already reviewed Applicants' commitments from Utah, California, Idaho and Oregon.

Most commitments negotiated in other states, to the extent not already in the Washington Stipulation, can simply be adopted by the Commission (or not) and added to the commitments in Appendix A. However, as with the Washington Stipulation and Commitments, it is possible that Applicants may negotiate a few commitments in other states that are in substitution for commitments contained in the Washington Stipulation. If this occurs, the Parties intend that the Commission will have the ability to choose to retain the Washington commitment or substitute the trade-off commitment from the other state. The following chart identifies where the Parties made explicit commitment trade-offs during settlement negotiations:

Commitment Applicable to Other States	Trade-Off Commitment
22	Wa 7
38	Wa 4, Wa 6
U 23	Wa 7

Another commitment trade-off was to keep general Commitment 37 rather than replace it with Oregon-specific Commitment O 14.

Q. Please describe the principal aspects of the Stipulation.

A. Generally, the proposed Stipulation includes commitments by Applicants in the following areas:

- Customer service guarantees and performance standards;
- Access to relevant information;
- Environmental issues, including renewable resources, emissions, and demand-side management ("DSM") programs;
- PacifiCorp's financial stability;
- Transmission and resource investments;
- Rate credits; and
- Low-income programs;

Q. How have the Commitments addressed the customer service issues that were identified?

A. Applicants have agreed to Commitment 1, which affirms the continuation (through March 31, 2008) of existing customer service guarantees and performance standards. Applicants will not propose modifications to the existing guarantees and standards prior to March 31, 2008.

Pursuant to Commitment 45, Applicants will continue the customer service guarantees and performance standards as established in each jurisdiction, provided that Applicants reserve the right to request modifications of the guarantees and standards after March 31, 2008, and the right to request termination (as well as modification) of one or more guarantees or standards after 2011. The guarantees and standards will not be eliminated or modified without Commission approval.

In addition, Applicants have committed in Wa 25 to work with Boise Cascade to address and resolve certain service reliability issues at Boise's facility in Wallula, Washington.

Q. Do the Commitments address access to relevant information of the Applicants?

A. Yes. Applicants have made a number of commitments to facilitate access to information. First, PacifiCorp will maintain its own accounting system, separate from MEHC's accounting system, and all PacifiCorp financial books and records will be kept in Portland, Oregon. (Commitment 3). Second, MEHC, PacifiCorp and Berkshire Hathaway will provide the Commission access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between PacifiCorp and its affiliated interests or which are otherwise relevant to the business of PacifiCorp. (Commitment 4). Third, MEHC, PacifiCorp and all affiliates will make their employees, officers, directors, and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission. (Commitment 5). Fourth, the Commission or its agents may audit the accounting records of MEHC and its subsidiaries that are the bases for charges to PacifiCorp, to determine the reasonableness of allocation factors used by MEHC to assign costs to PacifiCorp and amounts subject to allocation or direct charges. (Commitment 6). Fifth, MEHC and PacifiCorp will comply with all applicable Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports. (Commitment 7). Sixth, PacifiCorp will file on an annual basis an affiliated interest report including an organization chart, narrative description of each affiliate, revenue for each affiliate and transactions with each affiliate. (Commitment 8). Seventh, MEHC, PacifiCorp and Berkshire Hathaway will provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to PacifiCorp or MEHC. (Commitment 17). MEHC will also provide the Commission with unrestricted access to all written information provided by and to credit rating agencies that pertains to MEHC's subsidiaries to the extent such information may potentially impact PacifiCorp. Lastly, Commitment Wa 23 is an agreement that Berkshire Hathaway will be bound by Commitments 4, 5 and 17 and any other Commitments that are applicable to the affiliates of PacifiCorp and MEHC, while also making clear that it does not guarantee performance of Commitments made by MEHC and PacifiCorp.

Q. What do the Commitments provide with respect to environmental issues?

A. The Commitments include measures addressing renewable energy, emissions, and a proposed DSM study.

Q. How do the Commitments address Applicants' commitment to renewable resources?

A. There are numerous commitments that demonstrate a strong focus on renewable resources. First, through Commitment 40, MEHC has reaffirmed PacifiCorp's commitment to acquire 1400 MW of new cost-effective renewable resources, representing approximately 7% of PacifiCorp's load and has committed to bring at least 100MW of cost-effective wind resources in service within one year of the transaction close. Second, MEHC or PacifiCorp commit in Commitment 53 to commence as soon as practical after close of the transaction a system impact study to examine the feasibility of constructing transmission facilities from the Jim Bridger generating facilities to Miners, Wyoming, an area where significant wind potential exists. Finally, through Commitment 39, for the next ten years, Applicants have committed that they will submit as part of any Commission approved RFPs for resources with a dependable life greater than 10 years and greater than 100 MW—including renewable energy RFPs—a 100 MW or more utility "own/operate" alternative for the particular resource.

Q. How does the Stipulation address emissions?

A. First, pursuant to Commitment 41, PacifiCorp will consider utilization of advanced coal-fuel technology when adding coal-fueled generation. Second, pursuant to Commitment 42, Applicants will participate in the Environmental Protection Agency's SF_6 Emission Reduction Partnership for Electric Power Systems. Through its participation in the SF_6 partnership, PacifiCorp will commit to an appropriate SF_6 emissions reduction goal and annually report its estimated SF_6 emissions. Third, within six months after close of the transaction, PacifiCorp will establish a global warming working group to identify cost-effective measures to reduce PacifiCorp's greenhouse emissions. PacifiCorp will develop and file with the Commission its strategy, which MEHC supports, for reducing its greenhouse gas emissions. Finally, through Commitment 43, working with the affected generation plant joint owners and with regulators to obtain required approvals, Applicants will install, to the extent cost effective, the equipment likely to be necessary under future emissions control scenarios at a cost of approximately $812 million.

Q. What do the Commitments provide with respect to a DSM study?

A. In Commitment 44, Applicants commit to conducting a company-defined third-party market potential study of additional DSM and energy efficiency opportunities within PacifiCorp's service areas. The objective of the study will be to identify opportunities not yet identified by PacifiCorp and, if and where possible, to recommend programs or actions to pursue those opportunities found to be cost-effective. The study will be completed within fifteen months after the closing on the transaction, and MEHC shareholders will absorb the first $1 million of the costs of the study. PacifiCorp further commits to meeting its portion of the NWPPC's energy efficiency targets for Oregon, Washington and Idaho, as long as the targets can be achieved in a manner deemed cost-effective by the affected states. In addition, MEHC and PacifiCorp will collaborate in identifying any incremental programs that might be cost-effective for PacifiCorp customers.

Q. How have the Commitments addressed the issues regarding PacifiCorp's continued financial stability?

A. MEHC and PacifiCorp have agreed to many important Commitments in this regard, including Commitments 11, 15, 18, 20, 21, Wa 11 and Wa 24. The Commitments seek to ensure that PacifiCorp will be adequately ring-fenced from any financial distress experienced by MEHC or its other affiliates and subsidiaries following the acquisition by MEHC.

Q. How have the Commitments addressed issues related to transmission and resource investments?

A. Pursuant to Commitments 34 and 35, MEHC and PacifiCorp have identified potential transmission projects that they believe will enhance reliability, facilitate the receipt of renewable resources, or enable further system optimization. For example, MEHC and PacifiCorp have committed to using their best efforts to achieve the following transmission system infrastructure improvements: Path C Upgrade (~$78 million); Mona - Oquirrh (~$196 million); and Walla Walla - Yakima or Mid-C (~$88 million). MEHC and PacifiCorp have also made commitments to improve system reliability and to take steps toward more efficient use of the existing system through targeted investment in the transmission and distribution system. Through Commitment 36, MEHC commits its resources and leadership to assist PacifiCorp states in the development of transmission projects upon which the states can agree.

To address Parties' concerns about the rate impacts associated with these Commitments, Commitment Wa 26 and paragraph 13 of the Stipulation expressly provides that all Parties reserve their rights to assert positions regarding the prudence, just and reasonable character, rate or ratemaking impact or treatment or public interest as they deem appropriate pertaining to any of the Commitments included in Appendix A of the Stipulation. Thus, the Stipulation does not determine the ratemaking consequences of any investment, expenditure or action taken by the Applicants under these Commitments. PacifiCorp's burden of proof in a rate proceeding is not changed.

Q. How does the Stipulation address the issue of rate credits?

A. In Commitment Wa 2, MEHC and PacifiCorp have committed to $142.55 million (total company amount) of off-settable rate credits as reflected in Appendix 2 of the Stipulation and as described in Commitments Wa 3 through Wa 7. These rate credits will be reflected in rates on the effective date of new rates as determined by the Commission in a general rate case, including Docket No. UE-050684, PacifiCorp's current general rate proceeding. The rate credits will terminate on December 31, 2010, to the extent not previously offset, unless otherwise noted.

Q. Please describe the off-settable rate credit that MEHC and PacifiCorp have agreed to provide in Commitment Wa 3.

A. In Commitment Wa 3, MEHC and PacifiCorp commit to reducing the annual non-fuel costs to PacifiCorp customers of the West Valley lease by $0.417 million per month (total company) or an expected $3.7 million in 2006 (assuming a March 31, 2006 Transaction closing), $5 million in 2007 and $2.1 million in 2008 (the lease terminates May 31, 2008), which shall be the amounts of the total company rate credit. If and to the extent the costs of West Valley are included in Washington rates by Commission order, Washington's share of the monthly rate credit will be deferred (unless included in rates in PacifiCorp's current general rate case) for the benefit of customers and accrue interest at PacifiCorp's authorized rate of return. This commitment is off-settable, on a prospective basis, to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate case, that such West Valley non-fuel cost savings: (i) are reflected in PacifiCorp's rates; and, (ii) there are no offsetting actions or agreements by MEHC or PacifiCorp for which value is obtained by PPM or an affiliated company, which, directly or indirectly, increases the costs PacifiCorp would otherwise incur.

Q. Please describe the off-settable rate credit that MEHC and PacifiCorp have agreed to provide in Commitment Wa 4.

A. In Commitment Wa 4, MEHC and PacifiCorp have committed to holding customers harmless for increases in costs retained by PacifiCorp that were previously assigned to affiliates relating to management fees. The total company amount assigned to PacifiCorp's affiliates is $1.5 million per year, which is the amount of the total company rate credit. This commitment expires on December 31, 2010. This Commitment is in lieu of Commitment 38, and MEHC and PacifiCorp agree to either Commitment Wa 4 or Commitment 38, but not both. This commitment is off-settable to the extent PacifiCorp demonstrates to the Commission's satisfaction, in the context of a general rate, the following: (i) corporate allocations from MEHC to

PacifiCorp included in PacifiCorp's rates are less than $7.3 million; (ii) costs associated with functions previously carried out by parents to PacifiCorp and previously included in rates have not been shifted to PacifiCorp or otherwise included in PacifiCorp's rates; and (iii) costs have not been shifted to operational and maintenance accounts (FERC accounts 500-598), customer accounts (FERC accounts 901-905), customer service and informational accounts (FERC accounts 907-910), sales accounts (FERC accounts 911-916), capital accounts, deferred debit accounts, deferred credit accounts, or other regulatory accounts.

Q. Please describe the off-settable rate credit that MEHC and PacifiCorp have agreed to provide in Commitment Wa 5.

A. In Commitment Wa 5, MEHC has committed to the use of an existing, or formation of a new, captive insurance company to provide insurance coverage for PacifiCorp's operations. The costs of forming such captive will not be reflected in PacifiCorp's regulated accounts, nor allocated directly or indirectly to PacifiCorp. Such captive shall be comparable in costs and services to that previously provided through ScottishPower's captive insurance company Dornoch. MEHC has further committed that insurance costs incurred by PacifiCorp from the captive insurance company for equivalent coverage for calendar years 2006 through 2010, inclusive, will be no more than $7.4 million (total company). Oregon PUC Staff has valued the potential increase in PacifiCorp's total company revenue requirement from the loss of ScottishPower's captive insurance affiliate as $4.3 million annually, which will be the amount of the total company rate credit. This commitment expires on December

31, 2010. This commitment is off-settable if PacifiCorp demonstrates to the Commission’s satisfaction, in the context of a general rate case, the costs included in PacifiCorp’s rates for such insurance coverage is not more than $7.4 million (total company).

Q. Please describe the off-settable rate credit that MEHC and PacifiCorp have agreed to provide in Commitment Wa 6.

A. Through Commitment Wa 6, MEHC and PacifiCorp will hold customers harmless for increases in costs resulting from PacifiCorp corporate costs previously billed to PPM and other former affiliates of PacifiCorp. Oregon PUC Staff has valued the potential increase in total company revenue requirement if these costs are not eliminated as $7.9 million annually (total company) through December 31, 2010 and $6.4 million annually (total company) from January 1, 2011 through December 31, 2015, which will be the amounts of the total company rate credit. This commitment will expire on the earlier of December 31, 2015 or when PacifiCorp demonstrates to the Commission’s satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp’s rates. This Commitment is in lieu of Commitment 38, and MEHC and PacifiCorp agree to either Commitment Wa 6 or Commitment 38, but not both. This commitment is off-settable to the extent PacifiCorp demonstrates to the Commission’s satisfaction, in the context of a general rate case, that corporate costs previously billed to PPM and other former affiliates have not been included in PacifiCorp’s rates.

Q. Please describe the off-settable rate credit that MEHC and PacifiCorp have agreed to provide in Commitment Wa 7.

A. Through Commitment Wa 7, MEHC and PacifiCorp have pledged that PacifiCorp's total company A&G costs will be reduced by $6 million annually based on the A&G categories, assumptions, and values contained in Appendix 3 titled, "UM 1209 A & G Stretch." The amount of the total company rate credit is $6 million per year. This commitment will expire on December 31, 2010. Beginning with the first month after the close of the transaction, Washington's share of the $0.5 million monthly rate credit will be deferred for the benefit of customers (unless included in rates in Docket No. UE-050684) and accrue interest at PacifiCorp's authorized rate of return. This Commitment is in lieu of Commitments 22 and U 23 from the Utah settlement, and MEHC and PacifiCorp agree to either Commitment Wa 7 or Commitments 22 and U 23, but not both. The credit will be off-settable by the amount that PacifiCorp demonstrates to the Commission's satisfaction, in a general rate case, that total company A&G expenses included in PacifiCorp's rates are lower than the benchmark (which is defined in the Commitment) and have not been shifted to other regulatory accounts.

Q. Please describe how the Commitments address issues raised by the parties regarding assistance to low income customers.

A. In Commitment Wa 14, MEHC and PacifiCorp will contribute to Washington low-income bill payment assistance through a variety of sources in the amount of $80,000 annually, for a five-year period beginning July 1, 2006.

Pursuant to Commitment Wa 13, MEHC will provide shareholder funding to hire a consultant to study and design an arrearage management project for low-income customers that could be made applicable to Washington and other states that PacifiCorp serves. The costs of this study will be at least $66,000 on a total company basis and will be paid for by shareholders.

Under Commitment Wa 15, Applicants will initiate a collaborative effort with Staff, the Energy Project, and other interested parties to track low-income issues a by identifying and collecting data pertinent to low-income issues in PacifiCorp's Washington service territory.

IV. THE STIPULATION SATISFIES THE PARTIES' INTERESTS AND IS CONSISTENT WITH THE PUBLIC INTEREST

Q. Why does the Stipulation satisfy the interests of Applicants?

A. Appendix A to the Stipulation includes 53 general and 26 Washington-specific commitments which address issues of importance to PacifiCorp's Washington customers. Among those commitments are new commitments related to reducing costs for PacifiCorp and to address the Washington-specific issues identified by the other parties in our technical conference and settlement discussions. The Stipulation also includes commitments which reflect MEHC's willingness and ability to deploy capital to meet PacifiCorp's significant infrastructure needs, including increased investment in transmission, renewable energy and energy efficiency. The Applicants have also agreed, as discussed above, that the Commission will have the opportunity and authority to consider and adopt conditions and commitments agreed to or adopted in other jurisdictions.

Applicants believe that the Stipulation, including the commitment to a "most favored states" process, strengthens many of the existing commitments, addresses the issues and concerns raised by the parties, and provides real and significant benefits to PacifiCorp's Washington customers. The Stipulation includes the finding that the proposed transaction meets the public interest standard under RCW 80.12.020 and WAC 480-143-170 for approval in Washington. For all of the above reasons, Applicants submit that this "public interest" finding is well-supported in the record, and that the Stipulation should be accepted by the Commission as the basis for granting approval of the proposed transaction in Washington.

Q. Why does the Stipulation satisfy the interests of Commission Staff?

A. There are three primary reasons why the Stipulation satisfies Staff's interests, given that Staff will address the cost of capital impacts of the acquisition in the pending general rate case, as directed by the Commission. First, Applicants have committed to rate credits that will provide benefits to customers in Washington and were not in the original Application.[1]

The second reason why the Stipulation addresses Staff's interests is that the commitments made by Applicants demonstrate a conviction by them to satisfy

[1] Staff's assessment of the amount of benefits to Washington customers from these rate credits is addressed by Mr. Schooley in Supplemental Testimony filed January 27, 2006 in Docket No. UE-050684.

PacifiCorp's legal obligations as a public service company to provide safe, adequate and efficient service at rates that are just, fair, reasonable and sufficient. In Staff's view, it is not clear whether PacifiCorp's current owner, ScottishPower, holds that same conviction given its assertion that it no longer wants to own PacifiCorp's regulated utility operations.

Finally, Staff was concerned that the Stipulation might create a ratemaking presumption of prudence and reasonableness for the specific investments and expenditures cited in the commitments, including, for example, investment in transmission and emissions control. The Stipulation addresses Staff's concern because it makes it clear that neither the Commission nor the remaining Parties have reviewed these specific investments or expenditures or determined them to be prudent, reasonable or in the public interest. Thus, implementation of these commitments by the Applicants will be fully tested in future proceedings where PacifiCorp alone will bear the burden to prove that these investments and expenditures should be recovered from customers, rather than shareholders.

Q. Why does the Stipulation satisfy the interests of Public Counsel?

A. MEHC and PacifiCorp have committed to provide rate credits. PacifiCorp and its parent companies have committed to increased ring-fencing provisions, to provide a type of asymmetrical pricing and positive timesheet reporting as well as additional access to parent company books and records. In addition, PacifiCorp and its parent have committed that PacifiCorp will implement specific initiatives (*e.g.*, $1 million in MEHC funds toward a DSM study, cost-effective renewable energy goals, and extensions of customer service guarantees and performance standards as well as other initiatives); however, PacifiCorp must continue to demonstrate that those initiatives are in the public interest.

Q. Why does the Stipulation satisfy the interests of the Industrial Customers of Northwest Utilities?

A. Customers will see a benefit from MEHC's rate credits and the more secure ring-fencing provisions. Improvements to the electric facilities in the Wallula area are critically important to improve the quality of power for all customers in that area. ICNU agrees with many of the statements of Staff in response to this question.

Q. Why does the Stipulation satisfy the interests of The Energy Project?

A. In addition to concessions affecting the general body of PacifiCorp's ratepayers, the Applicants agreed to a number of measures that will benefit PacifiCorp's low-income customers in Washington and offset any potential harm caused by the acquisition. Those conditions include funding a study for the purpose of possibly implementing an arrearage management program for low-income customers. PacifiCorp will facilitate the organization of a working group to oversee this project. The Applicants agreed to increase the amount of voluntary contributions to the Low-Income Bill Payment Assistance Program. Finally, the Applicants agreed to cooperate with the Staff and representatives of the Energy Project to track low-income issues and collect data pertinent to low-income customers in Washington.

The Energy Project is currently involved in PacifiCorp's pending general rate case in Docket No. UE-050684 and through that and future filings by the utility will continue to advocate for improvements in that utility's low-income related programs. For the purpose of this limited proceeding, however, the Energy Project is satisfied that its interests have been adequately addressed.

Q. Why is the Stipulation consistent with the public interest?

A. The Stipulation is consistent with the public interest because it includes a comprehensive set of commitments that emphasize critical public service obligations such as: customer service; safety; system reliability; and diversity in resource mix, including renewable generation, use of energy efficiency and DSM. At the same time, the Stipulation includes basic safeguards intended to protect PacifiCorp's customers from any financial distress experienced by other companies within the MEHC holding company structure. The Stipulation provides for rate credits, which will provide some financial security to offset potential risks associated with this transaction. Finally, the Stipulation protects the Commission's ability to regulate in the public interest and set rates that are just, fair, reasonable and sufficient by guaranteeing full access to all relevant information and by confirming that approval of the Stipulation does not in any respect determine the prudence or reasonableness of any investment, expenditure or action undertaken the Applicants under these commitments.

For these reasons, the Parties recommend that the Commission approve the Stipulation.

Q. Does this conclude your joint testimony?

A. Yes.