BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF MIDAMERICAN ENERGY HOLDINGS COMPANY AND PACIFICORP DBA PACIFIC POWER & LIGHT COMPANY FOR AN ORDER AUTHORIZING PROPOSED TRANSACTION	)))))))	**Docket No. UE-05_____** **JOINT APPLICATION**

MidAmerican Energy Holdings Company ("MEHC") and PacifiCorp d/b/a Pacific Power & Light Company ("PacifiCorp") (sometimes hereinafter jointly referred to as "Applicants") hereby request an order of the Washington Utilities and Transportation Commission ("Commission") authorizing a proposed transaction whereby MEHC would acquire all of the outstanding common stock of PacifiCorp and PacifiCorp would thereafter become an indirect wholly owned subsidiary of MEHC (the "Application").

JURISDICTION

PacifiCorp is a public service company subject to the Commission's jurisdiction. *RCW 80.04.010.* Commission authorization is necessary under RCW 80.12.020 for PacifiCorp to sell, lease, assign or otherwise dispose of, or merge or consolidate, any of its franchises, properties or facilities with any other public service company. Under RCW 80.12.040, Commission authorization is necessary before another public service company can, directly or indirectly, purchase, acquire, or become the owner of any of the franchises, properties, facilities, capital stocks or bonds of PacifiCorp. More generally, RCW 80.01.040 establishes the Commission's general powers and duties and, among other things, empowers the Commission to regulate in the public interest "the rates, services, facilities, and practices" of all persons engaging within Washington in the business of supplying any utility service or commodity to the public for compensation and "related activities." On the basis of the preceding statutory authority, the Commission has concluded it has jurisdiction over transactions "whenever the control of a plainly jurisdictional public utility changes through a corporate transaction for the transfer of the whole or a controlling interest in the company." *Docket No. UE-981672, In the Matter of the Application of PacifiCorp and Scottish Power plc ("PacifiCorp/ScottishPower"), Second Supplemental Order at 9 (March 1999); see also, Docket No. UT-981367, In the Matter of the Application of GTE Corporation and Bell Atlantic Corporation, Fourth Supplemental Order (December 1999).*

TIME FOR PROCESSING THE APPLICATION

MEHC and PacifiCorp respectfully request completion of all state reviews of the proposed transaction by February 28, 2006, in order to complete the acquisition on or before March 31, 2006. MEHC's proposed acquisition of PacifiCorp is an important transaction for PacifiCorp customers, employees and communities. In order to mitigate the ill effects of uncertainty associated with the sale of PacifiCorp, and expedite the delivery of important benefits, Applicants respectfully request that the Commission schedule review of the Application in a manner that will facilitate an order by February 28, 2006.

Closing on or before March 31, 2006, will facilitate the transition of PacifiCorp's financial reporting from a fiscal year ending March 31, which is the Scottish Power plc ("ScottishPower") approach, to a calendar fiscal year consistent with MEHC's financial statements. Calendar year reporting is consistent with regulatory reporting, which should enable the Commission to utilize a single year's audited financial statements rather than have regulatory reporting span across two fiscal years.

In connection with Applicants' request for a Commission order by February 28, 2006, it is noteworthy that the Securities and Exchange Commission ("SEC") will not act in advance of approvals from the respective state public utility commissions. The SEC's policy in this respect is founded on its desire to avoid pressuring the states to act in a particular manner, to avoid rendering decisions on theoretical transactions, and to avoid impacting share prices and value by having an extended period between approval and closing. Thus, ruling on the Application should not be delayed in the hope that doing so would permit the SEC to rule first, and Applicants respectfully ask the Commission not to delay its ruling on the Application on this ground.

APPLICANT INFORMATION

The exact name and address of MEHC's principal business office is as follows:

MidAmerican Energy Holdings Company
666 Grand Avenue, Suite 2900
Des Moines, Iowa 50309

MEHC is an Iowa corporation, whose ownership, as of January 31, 2005, is as follows: Berkshire Hathaway Inc. (83.75% economic interest); Walter Scott, Jr., including family interests, (15.89% economic interest); David Sokol (0.25% economic interest); and Greg Abel (0.11% economic interest). On a diluted basis the economic interests would be as follows: Berkshire Hathaway Inc. (80.48% economic interest); Walter Scott, Jr., including family interests, (15.27% economic interest); David Sokol (2.91% economic interest); and Greg Abel (1.34% economic interest).[1] Further detail concerning the ownership of MEHC may be found at

[1] The voting stock ownership of these four investors is as follows: (1) Walter Scott, including family interests, holds an 88.1% voting interest; (2) Berkshire Hathaway, Inc. holds a 9.9% voting interest; (3) David Sokol holds a 1.4% voting interest; and (4) Greg Abel holds a 0.6% voting interest.

page 108 of MEHC's 2004 annual report on Form 10-K attached to MEHC witness Pat Goodman's testimony.

Berkshire Hathaway currently holds 9.9% of the voting stock ownership of MEHC and 41,263,395 shares of MEHC's zero coupon convertible preferred stock.[2] This preferred stock is convertible into MEHC common shares at the option of Berkshire Hathaway under specific circumstances, as discussed more fully in Mr. Goodman's testimony. One such circumstance is the repeal or amendment of the Public Utility Holding Company Act of 1935 and any successor legislation ("PUHCA") such that the conversion of preferred stock would not cause Berkshire Hathaway (or any affiliate of Berkshire Hathaway) to become regulated as a registered holding company. MEHC anticipates that Berkshire Hathaway will exercise its right to convert the zero coupon convertible preferred stock in the event this circumstance occurs, whereupon Berkshire Hathaway's voting interest would correspond to its ownership interest.

Persons authorized on behalf of MEHC to receive notices and communications with respect to this Application are:

Douglas L. Anderson
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MidAmerican Energy Holdings Company
302 S. 36th Street, Suite 400
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mcmoench@midamerican.com

[2] While the convertible preferred stock does not vote with the common stock in the election of directors, the convertible preferred stock gives Berkshire Hathaway the right to elect 20% of MEHC's Board of Directors (currently two of the ten members of the MEHC Board of Directors). Additionally, the prior approval of Berkshire Hathaway, as the holder of convertible preferred stock, is required for certain fundamental transactions by MEHC, as further discussed in Mr. Goodman's testimony.

Persons authorized on behalf of PacifiCorp to receive notices and communications with respect to this Application are:

Andrea L. Kelly
Managing Director – Strategy
PacifiCorp
825 NE Multnomah, Suite 956
Portland, Oregon 97232
Phone: (503) 813-6043
Fax: (503) 813-5205
andrea.kelly@pacificorp.com

Joint counsel for the Applicants should be served as follows:

James M. Van Nostrand
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, Oregon 97204
Phone: (503) 294-9679
Fax: (503) 220-2480
jmvannostrand@stoel.com

Data Requests

Data requests for the Applicants should be addressed in the following manner with copies to Applicants' counsel:

By email (preferred): datarequest@pacificorp.com

By fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, Oregon 97232

MEHC Electronic Document Room

MEHC has created an Electronic Document Room containing the documents listed in the attached Index, provided as Appendix 1 to this Application. These documents are intended to anticipate initial discovery needs and provide parties with a solid foundation of knowledge pertaining to MEHC and MEC. Provisions for quick access to the Electronic Document Room can be arranged by contacting the following representative of MEHC and MEC:

Charles ("Chuck") R. Montgomery
MidAmerican Energy Company
4299 NW Urbandale Drive
Urbandale, Iowa 50322
Phone: (515) 281-2976
Fax: (515) 242-4398
crmontgomery@midamerican.com

DESCRIPTION OF TRANSACTION

On May 23, 2005, ScottishPower and PacifiCorp Holdings, Inc. ("PHI"), its wholly owned subsidiary directly holding PacifiCorp's common stock, reached a definitive agreement ("Stock Purchase Agreement"), providing for the sale of all PacifiCorp common stock, held by PHI, to MEHC for a value of approximately $9.4 billion, consisting of approximately $5.1 billion in cash plus approximately $4.3 billion in net debt and preferred stock, which will remain outstanding at PacifiCorp. The Stock Purchase Agreement is included as Appendix 2.

A limited liability company referred to as PPW Holdings LLC ("Holdings") has been established as a direct subsidiary of MEHC. Holdings will receive an equity infusion of approximately $5.1 billion raised by MEHC through the sale of convertible preferred stock to Berkshire Hathaway and long-term senior notes, preferred stock, or other securities with equity characteristics, to third parties. However, the transaction is not conditioned on such financing and if funds were not available from third parties, Berkshire Hathaway is expected to provide any required funding. Finally, Holdings will have no debt of its own for this transaction. Holdings will, as provided in the Stock Purchase Agreement, pay PHI $5.1 billion in cash at closing in exchange for 100% of the common stock of PacifiCorp. In addition, it is projected that the approximately $4.3 billion in net debt and preferred stock currently outstanding at PacifiCorp will remain outstanding as liabilities of PacifiCorp. The acquisition is subject to customary closing conditions, including approval of the transaction by the shareholders of ScottishPower and receipt of required state and federal regulatory approvals.

The sale of PacifiCorp's common stock to MEHC will also include transfer of control of the following PacifiCorp subsidiaries, which consist primarily of mining companies and companies created to handle environmental remediation and generate carbon offset credits: Centralia Mining Company, Energy West Mining Company, Glenrock Coal Company, Interwest Mining Company, Pacific Minerals, Inc., Bridger Coal Company, PacifiCorp Environmental Remediation Company, PacifiCorp Future Generations, Inc., Canopy Botanicals, Inc., Canopy Botanicals, SRL, PacifiCorp Investment Management, Inc., and Trapper Mining Inc.

Upon completion of the transaction, PacifiCorp will be an indirect wholly-owned subsidiary of MEHC, through PacifiCorp's new direct parent company, Holdings, as illustrated in the organizational chart included in the testimony of MEHC witness Goodman. MEHC will thereby acquire the power to exercise influence over the policies and actions of PacifiCorp. MEHC will also become an affiliated interest of PacifiCorp.

Plan for Operating PacifiCorp

MEHC and its primary investor, Berkshire Hathaway, acquire a business with the intention of holding and investing in the business for the long term, where such investments are fair to customers, employees and shareholders. Nearly a decade ago, MEHC identified the energy industry as a preferred area for investment of a significant amount of its capital resources. This investment focus is premised on the belief that energy investments are stable investments and, if operated correctly, provide opportunities for fair and reasonable returns. The proposed acquisition of PacifiCorp advances MEHC's focus on owning and operating a portfolio of high-quality energy businesses with capable management already in place and a strong emphasis on customer satisfaction, reliable service, employee safety, environmental stewardship, and regulatory/legislative credibility.

It is projected that PacifiCorp's service territories will require investment of at least $1 billion per year, for the next five years, in order to assure reliable electric service. While the profile of the returns on these capital requirements was not compatible with ScottishPower's continued ownership of PacifiCorp, MEHC is uniquely suited to undertake such investments. MEHC is privately held and not subject to shareholder expectations of regular, quarterly dividends and relatively fast returns on investments. MEHC's focus on significant, long-term investment in well-operated energy companies is a focus that should provide PacifiCorp customers, employees, the public and regulators with valuable stability, permitting PacifiCorp's management and employees to apply their full attention to exceeding customer expectations.

The opportunities for a successful transaction and transition are enhanced by the significant similarities between PacifiCorp and MEC, MEHC's electric utility business platform. MEHC plans to operate PacifiCorp much as it is operated today. MEHC, like PacifiCorp, has a track record for investment in a diverse mix of generation technologies (gas, coal, wind, geothermal, etc.), investment in energy efficiency, demand-side management and environmental technologies, and MEHC is accustomed to operating in a collaborative fashion when developing its energy efficiency, demand side management and environmental plans. Like PacifiCorp, MEHC is comfortable with operating in a diverse service area, with states that have opted for competitive retail electric service as well as states that have opted for the traditional model of regulated retail electric service. MEHC also shares PacifiCorp's dedication to customer service, a fact attested to by both organizations' customer satisfaction ratings. These similarities are addressed in the testimony of MEHC witness Gale.

MEHC intends to maintain separate debt ratings for PacifiCorp, and the Applicants expect the transaction to have a positive impact on PacifiCorp's bond ratings and financing costs. MEHC's financial capabilities and the reaction of the credit rating agencies to the announcement of this transaction with respect to PacifiCorp's bond ratings are described below, in the "Financial Strength" section concerning MEHC.

PacifiCorp will continue to be charged for certain common services provided to it as part of a larger organization. Under MEHC's ownership, these services will be limited to management services (e.g., board of directors support, corporate tax, financial planning and analysis, financial reporting) and will be provided by a service company ("ServCo") subsidiary of MEHC, as well as MEC. In connection with this transaction, MEHC is making a commitment to cap such charges at $9 million per annum for a five year period, compared to the $15 million PacifiCorp is projected to incur from ScottishPower in FY2006. See testimony on shared service charges from MEHC witness Specketer.

PacifiCorp's headquarters will remain in Portland, Oregon. All PacifiCorp financial books and records will be kept in Portland, Oregon, and will continue to be available to the Commission, upon request, at PacifiCorp's offices in Portland and Salt Lake City, and elsewhere in accordance with current practice. There are no plans for a reduction in workforce as a result of this transaction. MEHC will also renew and extend the commitments that have been previously made by PacifiCorp as set forth in Exhibit No. ___ (BEG-2) in the testimony of MEHC witness Gale, and as discussed in the testimonies of MEHC witnesses Abel, Goodman, Gale and Specketer.

As the foregoing demonstrates, PacifiCorp's customers, communities and regulators are not likely to notice significant changes in PacifiCorp's business practices as a result of the proposed transaction. To the contrary, customers, communities, and regulators will see benefits from an owner of PacifiCorp with significant financial strength, expertise in utility operations and business planning, and a focus on improving reliability and business operations over the long term.

MEHC'S IDENTITY, FINANCIAL ABILITY AND EXPERIENCE IN THE ENERGY INDUSTRY

MEHC was initially incorporated in 1971 under the laws of the State of Delaware and reincorporated in Iowa in 1999 at which time it changed its name from CalEnergy Company Inc. to MidAmerican Energy Holdings Company. MEHC is a privately held global company engaged primarily in the production and delivery of energy from a variety of fuel sources – including coal, natural gas, geothermal, hydroelectric, nuclear, wind and biomass. MEHC's six major business platforms are as follows:

- **MidAmerican Energy Company** is a vertically integrated electric and natural gas utility headquartered in Des Moines, Iowa. MEC provides regulated electric service to approximately 605,000 customers in Iowa, 84,000 customers in Illinois, and 3,700 customers in South Dakota. Regulated gas service is provided to approximately 526,000 customers in Iowa, 66,000 customers in Illinois, 75,000 customers in South Dakota, and 4,600 customers in Nebraska. Competitive gas and electric service is provided in several states, including Illinois, to 3,200 customers.

- **CalEnergy Generation** is a world leader in renewable energy, owning and operating a total of fourteen (14) geothermal power plants in the western United States and the Philippines. The business platform owns and operates natural gas generating stations in Arizona, Illinois, Texas and New York, as well as an innovative hydroelectric plant and irrigation project in the Philippines. CalEnergy is currently evaluating the development of one of the largest single geothermal projects (215 MW) in the world in the Imperial Valley of California.

- **Kern River Gas Transmission Company** is a natural gas pipeline company headquartered in Salt Lake City, Utah. Its interstate pipeline facilities comprise nearly 1,700 miles from Wyoming to southern California.

- **Northern Natural Gas Company** is a natural gas pipeline company headquartered in Omaha, Nebraska. Its pipeline system comprises more than 16,500 miles of pipeline from Texas to the upper Midwest. The combined pipeline capacity of Kern River and Northern Natural Gas is nearly 6.2 billion cubic feet per day, or approximately 10 percent of all the natural gas consumed in America.

- **CE Electric UK Funding plc** owns two electricity distribution businesses that serve 3.7 million customers across approximately 10,000 square miles of northeast England. The company also has a contracting subsidiary that engineers power projects for large commercial and industrial customers.

- **HomeServices of America, Inc.** is the second-largest residential real estate brokerage company in the United States and is a leader in each of the 24 top markets its associates serve. The company has 18,500 sales associates in 18 states and generated more than $60 billion in residential real estate sales in 2004.

More information regarding MEHC is available in the company's report on Form 10-K attached to the testimony of MEHC witness Goodman.

Financial Strength

MEHC has access to significant financial and managerial resources through its relationship with Berkshire Hathaway, one of its owners, whose debt rating is AAA. MEHC's global assets total approximately $20 billion; revenues in 2004 totaled $6.6 billion. MEHC's financial reports are included in the MEHC 10-K attached to MEHC witness Goodman's testimony. On a consolidated basis (PacifiCorp and MEHC), as of March 31, 2005, MEHC's pro forma combined assets would be approximately $34 billion, and pro forma combined revenues would be $9.6 billion.

The senior debt of the U.S. energy subsidiaries of MEHC (MEC, Kern River, and Northern Natural Gas) are all A-rated by the major credit rating agencies (A- by Standard & Poor's, A3 by Moody's, and A- by Fitch). All of MEHC's senior debt also holds investment grade ratings from the three major bond rating agencies (BBB- by Standard & Poor's, Baa3 by Moody's, and BBB by Fitch).

After the announcement of this transaction, Fitch affirmed MEHC's senior unsecured debt at BBB, with a stable outlook. Standard & Poor's placed MEHC's corporate rating and senior unsecured debt rating of BBB- on CreditWatch-Positive and Moody's affirmed MEHC's senior unsecured debt rating of Baa3 while noting a positive rating outlook for MEHC.

With respect to PacifiCorp's credit ratings, in the immediate aftermath of the acquisition announcement, Moody's affirmed its ratings (senior secured – A3 and senior unsecured debt – Baa1) on PacifiCorp's debt, and changed the rating outlook from stable to developing. Moody's also expressed its belief that the acquisition would have positive long-term benefits on PacifiCorp, particularly given the large capital expenditure program of PacifiCorp over the next several years. Moody's indicated that its "developing" rating outlook reflected the short-term regulatory challenges faced by PacifiCorp as it litigates pending rate cases and seeks regulatory approval of the acquisition.

Fitch reacted to the acquisition announcement by affirming all its PacifiCorp debt ratings (senior secured – "A"; senior unsecured – "A-"), and declared the PacifiCorp ratings outlook to be stable. Fitch expressed its continued belief that regulation is a primary risk for PacifiCorp investors, citing a lack of regulatory support and low returns in the past, and indicated that it assumes recent progress in this area will continue. Fitch also noted its belief that MEHC has the financial capability to provide equity financing for PacifiCorp's ongoing capital expenditure program.

While Standard & Poor's placed PacifiCorp's debt on CreditWatch with negative implications, it explained that its current rating for PacifiCorp (senior secured – "A-" and senior unsecured – "BBB+") reflects ScottishPower's consolidated credit profile, and that the "negative implications" observation is based on PacifiCorp's "weaker stand-alone metrics." However, Standard & Poor's also expressed its intention to assess such other factors as the transaction proceeds, including: financing structure of the acquisition, MEHC's resulting consolidated creditworthiness, the benefit of any "ring-fencing" mechanisms that MEHC structures around PacifiCorp, the utility's stand-alone credit metrics, MEHC's history of strong operations and regulatory management at MEC, and any necessary support for PacifiCorp's sizable capital expenditure program.

Under the Stock Purchase Agreement, MEHC has committed to finance this acquisition in a manner that maintains or improves MEHC's current investment grade credit rating. MEHC's consolidated capitalization, on a pro forma basis, is addressed in the testimony of MEHC witness Goodman.

MEHC's Experience in the Energy Industry

MEHC's regulated utility platform, MEC, and its predecessor corporations (e.g., Iowa Power Inc., Iowa-Illinois Gas and Electric Company, and Iowa Public Service Company and their predecessors), have provided electric and gas service in Iowa, Illinois, South Dakota and Nebraska for approximately 100 years.

MEC resembles PacifiCorp in many respects, and these similarities attest to the fact that PacifiCorp will continue to be operated with the same central emphases as it is today. As described in the testimony of MEHC witness Gale, the similarities include the following: comparable service territories (e.g., multi-state areas with relatively low population density and some urban centers); a mix of retail-access and traditionally regulated utility business; a focus on customer satisfaction and employee safety; use of renewable energy technologies; use of low-sulfur, Western-basin coals; a long history of providing demand-side management and energy efficiency programs; use of collaborative processes to develop environmental, demand-side management and energy efficiency programs; reliance on wholesale transactions, interconnections and positive relationships with public power and cooperative utilities; and service areas whose economies are significantly tied to the land (e.g., agriculture, forestry, mining).

MEHC's experience in owning and operating MEC means that it comes to this transaction with a deep understanding of the responsibilities and general challenges of current U.S. electric utility ownership and with directly applicable experience and knowledge about some of the specific challenges now faced by PacifiCorp. Through its other subsidiaries, MEHC also has significant experience in the natural gas industry and in the development of renewable energy resources, which it can bring to bear on assisting PacifiCorp in meeting the objectives of its projected future investment needs.

Background of Key Personnel

The chairman and current officers of MEHC are as follows:

David L. Sokol, 48, is chairman and chief executive officer of MEHC. Mr. Sokol joined the company in 1991, as chairman, president and chief executive officer.

Gregory E. Abel, 43, is president and chief operating officer of MEHC, having joined the company in 1992. Mr. Abel has more than twenty (20) years of experience in senior management and public accounting.

Patrick J. Goodman, 38, is senior vice president and chief financial officer of MEHC. Mr. Goodman joined MEHC in 1995 and has served in various accounting positions including senior vice president and chief accounting officer.

Douglas L. Anderson, 47, is senior vice president and general counsel of MEHC. Mr. Anderson joined MEHC in February 1993 and has served in various legal positions including general counsel of MEHC's independent power affiliates.

Keith D. Hartje, 55, is senior vice president of MEHC and has been with MEHC and its predecessor companies since 1973, holding a variety of positions in the legal, operations and administrative areas of the company. Mr. Hartje has responsibility for the corporate communications, safety audit and compliance, and the general services functions of the company.

Maureen E. Sammon, 41, is senior vice president of MEHC and has been with MEHC and its affiliated companies since 1986. Ms. Sammon has served in various positions in the finance and administrative areas of the company. Ms. Sammon has responsibility for the information technology, human resources and insurance functions of the company.

The business address for Messrs. Sokol and Anderson is:

MidAmerican Energy Holdings Company
302 South 36th Street, Suite 400
Omaha, Nebraska 68131

The business address for Messrs. Abel, Goodman and Hartje, and Ms. Sammon is:

MidAmerican Energy Holdings Company
666 Grand Avenue, Suite 2900
Des Moines, Iowa 50309

PUBLIC INTEREST CONSIDERATIONS

WAC 480-143-170 establishes the standard by which the Commission reviews applications filed pursuant to Chapter 80.12 RCW. The rule states that:

> If, upon examination of any application and accompanying exhibit, or upon a hearing concerning the same, the commission finds that the proposed transaction is not consistent with the public interest, it shall deny the application.

The Commission has found that this standard does not require a showing of positive benefits to the public in order to approve the transaction.

> The standard in our rule does not require the Applicants to show that customers, or the public generally, will be made better off if the transaction is approved and goes forward. In our view, Applicants' initial burden is satisfied if they at least demonstrate no harm to the public interest.
>
> . . . .
>
> Generally, then, we need consider only whether Applicants are qualified to take over management of a jurisdictional public utility in Washington.

Docket No. UE-981627, PacifiCorp/ScottishPower, Third Supplemental Order at 2, 3.

The discussion that follows demonstrates that the proposed transaction is consistent with the public interest, and satisfies the standard under WAC 480-143-170 for Commission approval.

Customer Interests

The proposed acquisition of PacifiCorp, by MEHC, will result in no harm to PacifiCorp's customers. This result is demonstrated by the following:

- **Commitments**. MEHC and PacifiCorp will adopt a uniform set of commitments that are based upon the commitments undertaken by PacifiCorp as a part of the ScottishPower merger; these uniform commitments will be extended to all six states, not just the states that requested a particular commitment in the previous PacifiCorp transaction. See the testimony of MEHC witness Gale.

- **State-Specific Commitments**. In recognition of the differences among the states, MEHC and PacifiCorp will offer to continue several state-specific commitments based upon the unique interests or local conditions in the specific state. See the testimony of MEHC witness Gale.

- **Separate Business Platform**. PacifiCorp will become a separate business platform under MEHC, with its own business plan, its own management, its own state policies, and responsibility for making decisions that achieve the objectives identified in the testimony of MEHC witness Abel (i.e., customer satisfaction, reliable service, employee safety, environmental stewardship, and regulatory/legislative credibility).

- **Similarities**. The many similarities between MEC and PacifiCorp will facilitate the transition of PacifiCorp into a separate subsidiary of MEHC. See the testimony of MEHC witness Gale.

- **Continued Emphases**. MEC's operations, as a subsidiary of MEHC, provide demonstrable evidence that PacifiCorp will continue its emphasis on key utility performance areas such as: customer service; safety; a balanced mix of generating resources, including renewable generation; use of energy efficiency and demand-side management; investment in environmental emission control technology; and collaborative processes to arrive at energy efficiency and demand-side management plans and environmental plans. See the testimony of MEHC witness Gale.

MEHC intends to operate PacifiCorp in much the same way as it is currently being operated. The Commission will continue to exercise the same degree of regulatory oversight over PacifiCorp as it does today. The proposed transaction will result in no harm to PacifiCorp customers.

Public Interests

Nor will the transaction result in any harm to the public interest, as evidenced by the following factors:

- **Investment in Infrastructure**. MEHC is poised to deploy significant amounts of capital to ensure PacifiCorp has the infrastructure necessary for the provision of reliable and economic electric service. MEHC offers commitments to invest significant capital in transmission and distribution projects in the testimony of MEHC witness Abel.

- **Stability**. MEHC's long-term value investment focus means that MEHC intends to own PacifiCorp for the long term, lending stability to, and confidence in, the regional energy infrastructure. See the testimony of MEHC witness Abel.

- **Diverse Resource Mix**. MEHC has a demonstrated willingness to invest in a diverse mix of generation technologies (gas, coal, wind, geothermal, etc.), energy efficiency and demand-side management technologies, as well as environmental technology. This willingness will enhance the diversity of PacifiCorp's generation resources, improve their environmental performance, and balance reliance on generation with technology that manages the demand for power and energy. These steps will further the energy security of the region, in an environmentally responsible manner. See the testimony of MEHC witnesses Abel and Gale.

- **Collaborative Processes**. MEHC, through its energy business platform, MEC, has an established record for formulating its energy efficiency, demand-side management and environmental plans in collaborative processes. PacifiCorp can be expected to continue its collaborative processes as a business platform of MEHC. See the testimony of MEHC witness Gale.

- **Environmental Initiatives**. As part of this transaction, MEHC and PacifiCorp are offering a commitment to environmental initiatives aimed at controlling SF_6, SO_2, NOx, mercury and CO_2 emissions, as set forth in the testimony of MEHC witness Abel. These initiatives will redound to the benefit of the general public.

- **Safety Emphasis**. MEHC has an established record of focusing on employee safety, and PacifiCorp will be expected to continue that focus. See the testimony of MEHC witness Gale.

- **Positive Relationships**. MEHC and its subsidiaries have a demonstrated history of emphasizing the importance of positive relationships with public power and cooperative utilities, regulators, legislators, consumer representatives and customers. See the testimony of MEHC witness Gale.

The proposed transaction will not result in harm to the interests of PacifiCorp's customers or to the public interest.

Benefits of the Transaction

The MEHC acquisition of PacifiCorp will produce benefits for customers. The principal advantages of this transaction, from a customer perspective, are discussed in the testimony of MECH witness Abel and are as follows:

- **\$812 million investment in emissions reduction technology for existing coal plants which, when coupled with the use of reduced emissions technology for new coal-fueled generation, would be expected to reduce the SO_2 emissions rate by more than 50%, to reduce the NOx emissions rate by more than 40%, to reduce the mercury emissions rate by nearly 40%, and to avoid an increase in CO_2 emissions rate;**

- **\$78 million investment in a Path C transmission upgrade to increase the transfer capability between PacifiCorp's east and west control areas;**[3]

[3] While MEHC has immersed itself in the details of PacifiCorp's business activities in the short time since the announcement of the transaction, it is possible that upon further review of this investment and the two which follow, the investments may not prove to be cost-effective or optimal for customers. If that should occur, MEHC pledges to propose an alternative with a comparable benefit to the Commission.

- **$196 million investment in a transmission line from Mona to Oquirrh to increase import capability into the Wasatch Front;**

- **$88 million investment in a transmission link between Walla Walla and Yakima or Vantage to enhance the ability to accept wind energy;**

- **$75 million investment in the Asset Risk Program;**

- **$69 million investment in local transmission risk projects in all states;**

- **at least a 10 basis point reduction for five years ($6.3 million) in the cost of PacifiCorp's issuances of long-term debt;**

- **at least a $30 million reduction (over five years) in corporate overhead costs;**

- **consideration of reduced-emissions coal technologies such as IGCC and super-critical;**

- **affirmation of PacifiCorp's goal of 1400 MW of cost-effective renewable resources, including 100 MW of new wind energy within one year of the close of the transaction and up to 400 MW of new wind energy after the transmission line projects are completed;**

- **reduction in sulfur hexafluoride emissions;**

- **$1 million shareholder-funded system-wide study designed to further demand-side management and energy efficiency programs where cost effective;**

- **a 2-year extension of the customer service standards and performance guarantees;**

- **a commitment of MEHC's resources and involvement, in cooperation with the PacifiCorp states, to look into transmission projects beneficial to the region, such as the Rocky Mountain Area Transmission Study ("RMATS") and the Frontier transmission line project;**

- **uniform application of the commitments from the prior PacifiCorp transaction in all six states; and**

- **offering a utility own/operate option for consideration in renewable energy RFPs.**

The above-mentioned benefits will be of substantial value to PacifiCorp's customers, communities and employees in future years, as will MEHC's long-term commitment to assist

PacifiCorp execute on its projected future capital needs, including long-term investment in PacifiCorp's integrated energy infrastructure.

MEHC believes the chief benefit from the proposed transaction is MEHC's willingness and ability to deploy capital to meet PacifiCorp's significant infrastructure needs. MEHC has focused on investments in the energy industry and is uniquely positioned to invest significant capital in the industry. Thus, MEHC is exceptionally well-matched to utilities, such as PacifiCorp, with a need for significant capital investment. This is particularly true when one considers the further advantage that arises from the reduced cost of debt that results from association with Berkshire Hathaway. As noted in the testimony of MEHC witness Goodman, the savings from this effect are substantial. The energy business is very capital intensive. With an owner like MEHC, that is well-positioned to undertake the efficient raising of capital, PacifiCorp will possess a key ingredient for successfully meeting its customers' current and future demands for energy. This is especially so since MEHC is free from the quarterly demand for shareholder dividends. It is MEHC's expectation that it will be the last owner of PacifiCorp, because MEHC invests for the long term. MEHC believes this will be to the benefit of PacifiCorp's customers, communities and employees. Knowing that MEHC intends to own PacifiCorp for the long-term will, MEHC believes, enhance customer and community confidence in PacifiCorp and its energy infrastructure that is so important to economic development. MEHC's long-term focus should also enhance the confidence of PacifiCorp's employees and management, enabling them to devote their full focus on exceeding customer expectations.

OTHER REGULATORY APPROVALS

Authorization from the SEC will be required both for MEHC's acquisition of PacifiCorp, and for MEHC's operation as a registered utility holding company under PUHCA. Repeal of

PUHCA is in legislation currently before a joint House-Senate conference committee of the U.S. Congress; however repeal is not necessary for completion of the transaction.

Based on discussions with SEC staff and the assessments of legal counsel, we expect the transaction to be authorized by the SEC under the terms and precedents of PUHCA. We believe the acquisition will satisfy the standards under Section 10 of PUHCA that require a utility acquisition to be for reasonable and fair consideration, to not unduly concentrate control of public utilities, to not unduly complicate the capital structure of utility systems, and to tend towards the development of an integrated public utility system. See the testimony of MEHC witness Gale for further details.

MEHC and PacifiCorp will seek approval of the Federal Energy Regulatory Commission ("FERC"), pursuant to Section 203 of the Federal Power Act ("FPA"), for the proposed transaction, inasmuch as it will result in the indirect transfer, to MEHC, of control of the "jurisdictional facilities" of PacifiCorp. PacifiCorp and MEC will also seek FERC approval, pursuant to Section 205 of the FPA, of: (i) any revisions to their respective Open Access Transmission Tariffs; and (ii) their Joint Operating Agreement which will govern certain transactions between PacifiCorp and MEC, and which will establish the process for PacifiCorp-MEC analysis of opportunities to increase efficiencies.

ScottishPower will file with the SEC for deregistration and sale approval under Sections 5(d) and 12(d) of PUHCA.

MEHC and PacifiCorp will make notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR Act"). The proposed transaction cannot be consummated until the waiting periods prescribed in the HSR Act lapse.

As a non-operating owner of 2.5% of the Trojan nuclear power plant, which is in the later stages of decommissioning, PacifiCorp and MEHC must seek approval from the Nuclear Regulatory Commission ("NRC") for an indirect transfer of the spent nuclear fuel license resulting from the change in control of the licensee. The applicants must assure the NRC that there will be no adverse impact on its ability to meet its financial obligations under the license and that there will be no adverse impact on the public interest, national security or the public health and safety.

MEHC and PacifiCorp will also obtain approval, from the Federal Communications Commission, of the change of control with respect to certain communication licenses held by PacifiCorp.

Finally, MEHC must obtain authority to acquire PacifiCorp from each of the six (6) states in which it provides retail electric service: Utah, Oregon, Wyoming, Washington, Idaho and California. MEHC is not required to obtain any approval in the states where MEC currently provides regulated electric or gas service: Iowa, Illinois, South Dakota and Nebraska.

After discussions with each of the representatives of each of the above regulatory agencies, we believe that the approvals can be obtained in the timeframes we have proposed.

DESCRIPTION OF THE FILING

This Application is supported by testimony from the following witnesses:

- **Greg Abel**, President and COO of MEHC, will describe MEHC and it business platforms, describe the transaction, explain the reasons for MEHC's proposed purchase of PacifiCorp, demonstrate that the transaction will benefit PacifiCorp's customers, employees and communities, and describe PacifiCorp's operations once the transaction is completed.

- **Judi Johansen**, President and CEO of PacifiCorp, will testify regarding PacifiCorp's support for the transaction and the reasons for ScottishPower's sale of PacifiCorp.

- **Brent Gale**, Senior Vice President of MEC, will provide evidence that the transaction is in the public interest and will sponsor commitments to ensure there will be no harm to that interest. He will also provide testimony regarding the similarities between PacifiCorp and MEC, and the experience of MEC as a regulated utility subsidiary of MEHC.

- **Pat Goodman**, Chief Financial Officer of MEHC, will provide detail regarding MEHC's corporate structure, PacifiCorp's place within that structure, MEHC's capital structure, the financial and accounting aspects of the transaction, some of the financial and structural commitments being offered by MEHC and PacifiCorp, and the "ring fencing" protections MEHC will employ. He also will provide information regarding Berkshire Hathaway.

- **Tom Specketer**, Vice President of U.S. Regulatory Accounting and Controller of MEC, will testify about the formation of a service company to provide certain common services to PacifiCorp, MEC and other MEHC subsidiaries. Mr. Specketer will describe the service company, the procedures for sharing services between MEHC and its affiliates, the joint administrative services agreement applicable to MEHC and its affiliates, and the implications and benefits for PacifiCorp customers. He will also sponsor some of the regulatory oversight commitments being offered by MEHC and PacifiCorp.

- **Jeff Gust**, Vice President of Energy Supply Management of MEC, will testify regarding the transmission path that is planned to connect PacifiCorp with MEC and the Joint Operating Agreement that will govern certain aspects of the use of that transmission path.

CONCLUSION

MEHC has made more than 60 commitments to the public interest, customers and states served by PacifiCorp. Included in these commitments are reductions in PacifiCorp's costs totaling more than $36 million over five years and more than $75 million over a longer period. MEHC shareholders will also absorb $1 million of costs of a system-wide demand side management study. In addition to these readily quantifiable benefits, MEHC is committing to $1.3 billion of infrastructure investment in PacifiCorp's system.

MEHC looks forward to being able to invest in the future of PacifiCorp, focusing upon our identified objectives of customer satisfaction, reliable service, employee safety, environmental stewardship and regulatory/legislative credibility. This application and testimony demonstrate that it is committed to extending customer service standards and performance guarantees, investing to improve transmission reliability and import capability, investing to enhance wind power development, investing to reduce emissions from coal plants, and furthering demand side management and energy efficiency. This will be done while maintaining our focus on exceeding customer expectations. Lastly, but perhaps most importantly, we believe that regulators and legislators in the states MEHC currently is privileged to serve will agree that perhaps the most valuable asset MEHC brings to the areas it serves is integrity in its relationship with all of its stakeholders. We believe this is what PacifiCorp's customers, employees and communities deserve and require.

WHEREFORE, Applicants respectfully request that the Commission issue an order pursuant to WAC 480-143-120 approving the proposed transaction.

Dated: July 15, 2005

MIDAMERICAN ENERGY HOLDINGS COMPANY
and PACIFICORP D/B/A PACIFIC POWER & LIGHT COMPANY

By ______________________
James M. Van Nostrand
Stoel Rives LLP
Joint Counsel for MEHC and PacifiCorp

CERTIFICATION

In accordance with WAC 480-143-140, I hereby certify that the information included in the Application is true and correct to the best of my information and belief, under penalty of perjury as set forth in RCW 9A.72.085.

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James M. Van Nostrand