

WUTC Data Request 163

Referring to the pre-filed direct testimony of Bruce N. Williams Exhibit No. _____ (BNW1-T), page 7, line 16-23, please provide all internal reports, analyses, studies, messages or other documents related to the Company's capital budgeting process for the fiscal years 2007-2009. The request seeks documents related to the process for determining the specific projects that will be undertaken and the decision making process for determining how the projects will be financed.

Response to WUTC Data Request 163

To the extent this request seeks *all* internal reports, analyses, studies, messages and other documents related to the Company's capital budgeting process, the Company objects on the grounds that this request is overly broad and unduly burdensome. Without waiving this objection the Company provides the following response:

Please refer to the Company's 2008 Integrated Resource Planning (IRP) for details on the Company's process for determining specific projects that will be undertaken. The 2008 IRP is available on the Company's web site at the following link:

http://www.pacificorp.com/content/dam/pacificorp/doc/Environment/Environmental_Concerns/Integrated_Resource_Planning_3.pdf

A brief description of the approval process for capital expenditure associated with major construction programs is provided below.

- 1) The PacifiCorp biannual Integrated Resource Planning (IRP) process evaluates long-term load growth and resource requirements, identifying the preferred portfolios of market transactions and capital investment in generation plant and infrastructure based upon input such as customer requirements, load demand forecasts, risk analyses and state and federal regulatory mandates. Requests for Proposal are developed for key components of the portfolios to establish a competitive procurement.
- 2) The IRP results are incorporated into the annual budget planning process, along with related transmission, distribution, and infrastructure needed to maintain system reliability. The resulting levels of investment are evaluated in the planning process to determine impacts on customer costs and Company returns, including operations and maintenance costs, rate increases, earnings and cash flows to determine if the investment program is appropriate. After internal analysis and revisions, the budget is presented to the Company's executives and Board of Directors for approval. Inclusion of a project in the

approved budget does not constitute project approval; specific project approval must still be obtained.

- 3) For specific capital expenditures, the initial analysis and evaluation of alternatives is performed by the engineering department. Engineering studies are conducted to ensure that the proposed recommendation and alternatives meet documented electrical engineering standards for safety and reliability. The engineering studies include project costs estimates used in ranking the alternatives on the basis of lowest overall cost to customers (both capital and O&M). Procurement is engaged to develop and evaluate bid specifications and to ensure vendor contract terms are appropriate and protect the Company's commercial interests.
- 4) The project proposal is prepared by the project manager, reviewed by engineering and finance, and approved at the necessary executive level in conformance with corporate governance policies and procedures.

PacifiCorp does not finance specific capital expenditures, but rather finances the overall net capital needs of the business. The financing needs of the Company are determined as part of the budgeting process and are influenced by cash provided by operating activities, levels of short-term debt, capital expenditures, market conditions, regulatory approvals and other considerations.

PREPARER: Robert Meehl

SPONSOR: To Be Determined

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WUTC Data Request 163 - 1st Supplemental Request

Please supplement your response by providing for the 2007-09 period:

- The documents that evidence management's capital recommendations to the Board and other documents, if any, evidencing management's recommendations for Board approval of the capital budget.
- Board minutes with respect to the capital budgeting process and decision making.
- Documents indicating specifically what management said to the Board with respect to the financing of the projects/capital budget.

1st Supplemental Response to WUTC Data Request 163

Please refer to Confidential Attachment WUTC 163 -1 1st Supplemental for a copy of the five-year capital expenditure and capital requirements budgets as of 2009. In response to WUTC 163, PacifiCorp noted that its overall capital budget is presented to the Company's executives and board of directors for approval. This process first involves detailed review and approval by PacifiCorp's Chairman and CEO, working with PacifiCorp's respective business unit heads, executive team and MidAmerican Energy Holdings Company's (MEHC) Chief Financial Officer. While these members of PacifiCorp's board of directors are involved in the review, the PacifiCorp board of directors does not officially meet and approve the capital budget. In the second step of the process, PacifiCorp's budget is submitted to MEHC, which consolidates PacifiCorp's capital budget with budgets from other MEHC companies into a total MEHC capital budget. This budget is reviewed and approved by the MEHC board of directors. Because the MEHC board of directors' review is on a consolidated basis, there are no minutes that specifically address PacifiCorp's capital budgeting process and decision making.

Operating decisions such as approval of major capital projects are delegated to PacifiCorp executive management. Please refer to Confidential Attachment

WUTC 163 -2 1st Supplemental for examples of approval documentation for major projects which were reviewed during the 2007 to 2009 period.

Confidential information is provided subject to the terms and conditions of the protective order in this proceeding.

PREPARER: Robert Meehl

SPONSOR: To Be Determined

ATTACHMENT IS
CONFIDENTIAL
PER
PROTECTIVE ORDER