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September 7, 2005

Via Facsimile, Electronic and U.S. Mail

Data Request Response Center
PacifiCorp
825 N.E. Multnomah, Ste. 800
Portland, OR 97232

Re: In the Matter of MIDAMERICAN ENERGY HOLDINGS COMPANY
Application for Authorization to Acquire Pacific Power & Light, dba PacifiCorp
Docket No. UM 1209

To the Data Request Response Center:

Enclosed please find the Industrial Customers of Northwest Utilities' First Set of Data Requests to PacifiCorp in the above-referenced matter. PacifiCorp has ten days to respond to these Data Requests. Please provide your responses by no later than Wednesday, September 21, 2005, to this office, with a copy to Mike Gorman.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to call.

Sincerely yours,

/s/ Christian Griffen
Christian W. Griffen

cc: Service List

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1209

In the Matter of)	
)	
MIDAMERICAN ENERGY HOLDINGS COMPANY)	INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES' FIRST SET OF DATA REQUESTS TO PACIFICORP
Application for Authorization to Acquire Pacific Power & Light, dba PacifiCorp.)	
_____)	

Dated: September 7, 2005

I. DEFINITIONS

1. "Documents" refers to all writings and records of every type in your possession, control, or custody, whether or not claimed to be privileged or otherwise excludable from discovery, including but not limited to: testimony and exhibits, memoranda, papers, correspondence, letters, reports (including drafts, preliminary, intermediate, and final reports), surveys, analyses, studies (including economic and market studies), summaries, comparisons, tabulations, bills, invoices, statements of services rendered, charts, books, pamphlets, photographs, maps, bulletins, corporate or other minutes, notes, diaries, log sheets, ledgers, transcripts, microfilm, microfiche, computer data (including E-mail), computer files, computer tapes, computer inputs, computer outputs and printouts, vouchers, accounting statements, budgets, workpapers, engineering diagrams (including "one-line" diagrams), mechanical and electrical recordings, telephone and telegraphic communications, speeches, and all other records, written, electrical, mechanical, or otherwise, and drafts of any of the above.

"Documents" includes copies of documents, where the originals are not in your possession, custody or control.

"Documents" includes every copy of a document which contains handwritten or other notations or which otherwise does not duplicate the original or any other copy.

"Documents" also includes any attachments or appendices to any document.

2. "Identification" and "identify" mean:

When used with respect to a document, stating the nature of the document (e.g., letter, memorandum, corporate minutes); the date, if any, appearing thereon; the date, if known,

on which the document was prepared; the title of the document; the general subject matter of the document; the number of pages comprising the document; the identity of each person who wrote, dictated, or otherwise participated in the preparation of the document; the identity of each person who signed or initiated the document; the identity of each person to whom the document was addressed; the identity of each person who received the document or reviewed it; the location of the document; and the identity of each person having possession, custody, or control of the document.

When used with respect to a person, stating his or her full name; his or her most recently known home and business addresses and telephone numbers; his or her present title and position; and his or her present and prior connections or associations with any participant or party to this proceeding.

3. “PacifiCorp” refers to PacifiCorp, any affiliated company, or any officer, director or employee of PacifiCorp, or any affiliated company. “MEHC” refers to MidAmerican Energy Holding Company, any affiliated company, or any officer, director or employee of MEHC, or any affiliated company.
4. “Person” refers to, without limiting the generality of its meaning, every natural person, corporation, partnership, association (whether formally organized or ad hoc), joint venture, unit operation, cooperative, municipality, commission, governmental body or agency, or any other group or organization.
5. “Studies” or “study” includes, without limitation, reports, reviews, analyses and audits.
6. The terms “and” and “or” shall be construed either disjunctively or conjunctively whenever appropriate in order to bring within the scope of this discovery any information or documents which might otherwise be considered to be beyond their scope.
7. The singular form of a word shall be interpreted as plural, and the plural form of a word shall be interpreted as singular, whenever appropriate in order to bring within the scope of this discovery request any information or documents which might otherwise be considered to be beyond their scope.

II. INSTRUCTIONS

1. These requests call for all information, including information contained in documents, which relate to the subject matter of the Data Request and which is known or available to you.
2. Where a Data Request has a number of separate subdivisions or related parts or portions, a complete response is required to each such subdivision, part or portion. Any objection to a Data Request should clearly indicate the subdivision, part, or portion of the Data Request to which it is directed.
3. The time period encompassed by these Data Requests is from 1990 to the present unless otherwise specified.
4. Each response should be furnished on a separate page. In addition to a hard copy, electronic versions of the document, including studies and analyses, must also be furnished, if available, in the originating software, with all formulae intact.
5. If you cannot answer a Data Request in full, after exercising due diligence to secure the information necessary to do so, state the answer to the extent possible, state why you cannot answer the Data Request in full, and state what information or knowledge you have concerning the unanswered portions.
6. If, in answering any of these Data Requests, you feel that any Data Request or definition or instruction applicable thereto is ambiguous, set forth the language you feel is ambiguous and the interpretation you are using in responding to the Data Request.
7. If a document requested is unavailable, identify the document, describe in detail the reasons the document is unavailable, state where the document can be obtained, and specify the number of pages it contains.
8. If you assert that any document has been destroyed, state when and why it was destroyed and identify the person who directed the destruction. If the document was destroyed pursuant to your document destruction program, identify and produce a copy of the guideline, policy, or company manual describing such document destruction program.
9. If you refuse to respond to any Data Request by reason of a claim of privilege, confidentiality, or for any other reason, state in writing the type of privilege claimed and the facts and circumstances you rely upon to support the claim of privilege or the reason for refusing to respond. With respect to requests for documents to which you refuse to respond, identify each such document, and specify the number of pages it contains. Provide: (a) a brief description of the document; (b) date of document; (c) name of each author or preparer; (d) name of each person who received the document; and (e) the reason for withholding it and a statement of facts constituting the justification and basis for withholding it.

10. Identify the person from whom the information and documents supplied in response to each Data Request were obtained, the person who prepared each response, the person who reviewed each response, and the person who will bear ultimate responsibility for the truth of each response.
11. If no document is responsive to a Data Request that calls for a document, then so state.
12. These requests for documents and responses are continuing in character so as to require you to file supplemental answers as soon as possible if you obtain further or different information. Any supplemental answer should refer to the date and use the number of the original request or subpart thereof.
13. Whenever these Data Requests specifically request an answer rather than the identification of documents, the answer is required and the production of documents in lieu thereof will not substitute for an answer.
14. Please provide the responses to these Data Requests by Wednesday, September 21, 2005, to:

Melinda J. Davison
Davison Van Cleve, P.C.
333 S.W. Taylor, Suite 400
Portland, Oregon 97204
(503) 241-7242
mail@dvclaw.com

Mike Gorman
Brubaker & Associates
1215 Fern Ridge Pkwy, Suite 208
St. Louis, MO 63141
(314) 275-7007
mgorman@consultbai.com

III. DATA REQUESTS

Data Requests Relating to the Direct Testimony of Brent E. Gale (PPL/300):

- 1.1 On pages 3 and 4 of Mr. Gale's testimony, he describes PacifiCorp's anticipated operation under MEHC ownership. With respect to this structure, please provide the following:
 - a. Identify whether there will be any restrictions on the number of business platform officers that can serve on PacifiCorp's Board, MEHC's Board, and Berkshire Hathaway's Board.
 - b. Describe any changes to PacifiCorp's Articles of Incorporation, mortgage lien, which will limit, restrict or change its authority to issue mortgage bonds, preferred equity securities, or subordinated debt securities.
 - c. Describe how PacifiCorp management and Board of Directors will report to MEHC management and Board, and to whom the MEHC Board shall report.
- 1.2 Referring to pages 8 and 9 of Mr. Gale's testimony, please provide a complete description of all MEHC's access to external common equity and debt capital. Include in this response a copy of MEHC's most recent annual report to shareholders, preferred equity prospectus and a bond prospectus for both the issuance of a mortgage bond, and subordinated debt.
- 1.3 Please provide credit reports from Standard & Poors, Moody's, and Fitch Rating concerning MEHC and all of its affiliate companies issued over the last two years.

Data Requests Relating to the Direct Testimony of MEHC Witness Gregory Abel (PPL/100):

- 1.4 On page 3 of Mr. Abel's testimony, he states that MEHC is poised to invest significant amounts of capital to ensure PacifiCorp can develop and maintain the infrastructure needed to provide reliable and economic electric service. Concerning this testimony, please provide the following:
 - a. Describe MEHC's management protocol to ensure that capital investments will be made economically to ensure investments are intended to improve service quality and/or reliability at the least cost.
 - b. Please provide a description of the management hierarchy and approval protocol for capital budgets. This hierarchy should start at the engineering level where projects are proposed, and describe all senior management reviews, required analyses and considerations in seeking senior management approval.

- 1.5 On pages 4 to 6 of Mr. Abel's testimony, he summarizes the benefits of the transaction that he believes ensure the proposed transaction is in the public interest. For each such transaction, please identify the potential impact on customers' rates, and the likely offsetting avoided costs or benefits that can be created through these activities that relate to transmission plant investment.
- 1.6 Please provide all workpapers and description of all analyses supporting the conclusion that there should be a 10 basis point reduction for five years in the cost of PacifiCorp's long-term debt.
- 1.7 Concerning Mr. Abel's testimony with respect to corporate overhead allocations, please identify all affiliates that will procure services from MEHC's service company, and for each affiliate, identify whether it is a regulated utility or non-regulated operation.
- 1.8 Describe the MEHC cost allocation for service company fees between affiliate companies. Also, please state whether any regulatory commission has approved the MEHC service company cost allocation methodology.
- 1.9 Concerning Mr. Abel's contention that PacifiCorp's customers will not experience negative rate consequences as a result of the proposed acquisition, please provide the following:
 - a. A projection of PacifiCorp's cost of service in Oregon retail operations, assuming the proposed transaction does not take place and PacifiCorp's current ownership does not change.
 - b. A projection over the next five years of PacifiCorp's retail Oregon cost of service assuming that the proposed transaction takes place.
- 1.10 Concerning Mr. Abel's testimony at page 24, please describe the following and provide all supporting documentation:
 - a. How will MEHC determine the allocation of capital, and does this include both equity capital and debt capital? Please explain your answer.
 - b. Which type of guidance will be offered in the determination of how capital will be allocated for various capital projects?
 - c. What would happen if PacifiCorp's business platform determined priorities that were at odds with MEHC management/Board of Directors
 - d. How could MEHC's capital allocation discretion prevent PacifiCorp management from following their stated priorities? Please explain your answer.

- 1.11 On page 25 of Mr. Abel's testimony, he states that it is a requirement of MEHC's business platform that individual business platforms have control and responsibility for making decisions that obtain objectives, such as customer satisfaction, reliable service, employee safety, environmental companies and regulatory/legislative credibility. Please identify all other required business platforms decisions/objectives MEHC would require from each business unit.
- 1.12 On page 25 of Mr. Abel's testimony, he states that PacifiCorp's Board of Directors, which includes ScottishPower representatives, will be replaced and that some restructuring is expected. Please provide a complete description of the restructuring expected to PacifiCorp's Board of Directors if the acquisition is completed.

Data Requests Relating to the Direct Testimony of Patrick Goodman (PPL/400):

- 1.13 Referring to page 5 of Mr. Goodman's testimony, he provides the MEHC capitalization before and pro forma after the proposed acquisition of PacifiCorp. That capitalization includes "subsidiary and project debt," which he states at page 4 is primarily non-recourse to the various subsidiaries of MEHC. Please reconstruct Table 1 of page 5 of Mr. Goodman's testimony to illustrate what the capitalization structure would look like in a credit rating review and rate filing of MEHC, and for PacifiCorp before and after the proposed acquisition.
- 1.14 Referring to Table 1, page 5, please describe how the subsidiary and project debt would be considered in a credit rating review of MEHC and PacifiCorp.
- 1.15 Referring to page 6 of Mr. Goodman's testimony, please provide copies of all correspondence with Standard & Poors, Moody's, or Fitch Ratings supporting the Company's understanding of the balance sheet risk that would be considered in a credit rating review of MEHC and PacifiCorp after the proposed acquisition.
- 1.16 Referring to page 6 of Goodman's testimony, please provide complete credit rating reports stating rating rational concerning MEHC and Berkshire Hathaway that support Mr. Goodman's understanding of the credit rating from each of these credit reporting agencies.
- 1.17 Referring to page 7 of Mr. Goodman's testimony, please provide any Standard & Poors, Moody's, or Fitch Ratings reports detailing how the equity infusion of \$5.1 billion, established in the LLC, will impact PacifiCorp.
- 1.18 Referring to page 8 of Mr. Goodman's testimony, please provide any credit rating reports describing how MEHC's issuance of \$3.4 billion in zero coupon non-voting convertible stock will affect MEHC's credit rating before and after the conversion to common equity is made.
- 1.19 Referring to page 9 of Mr. Goodman's testimony, please provide all analyses by JP Morgan and ABN-AMRO that led Mr. Goodman to conclude that the average interest rate savings on MEHC's last 10 year debt issue was approximately 10 basis points lower than peer companies' similar debt issues.

- 1.20 On page 10 of Mr. Goodman's testimony, he states that Standard & Poors placed PacifiCorp's credit rating on watch with negative implications based on PacifiCorp's weaker standalone credit matrix. Please provide a copy of all Standard & Poors' reports supporting this statement.
- 1.21 Referring to page 10 of Mr. Goodman's testimony, he states that PacifiCorp's cost of debt could increase by 10 to 15 basis points and could suffer a one notch credit downgrade from all three credit rating agencies. Please provide all workpapers and support Mr. Goodman relied on in reaching this conclusion.
- 1.22 Please provide the credit Suisse First Boston report that indicates the spread between the yield on BBB+ and A- public utility bonds has ranged from today's relatively tight spreads of 10 to 15 basis points, to as much as 40 to 60 basis points.
- 1.23 Referring to page 11 of Mr. Goodman's testimony, he states that PacifiCorp's financial statements prepared under Generally Accepted Accounting Principles will not be impacted by the closing of this transaction. With respect to this testimony, please provide the following:
- a. Will the Company's regulatory bookkeeping be affected in any way by this proposed transaction?
 - b. Please provide a projection of PacifiCorp's total electric rate base and Oregon retail rate base before and after the acquisition and identify and describe all changes that might be created by the proposed acquisition.
 - c. Please provide a projection of PacifiCorp's capital structure that would be used to determine the overall rate of return in an Oregon rate proceeding before and after the proposed transaction, and identify and describe all changes that may or will be caused by the proposed transaction.
- 1.24 On pages 11 and 12 of Mr. Goodman's testimony, he states that PacifiCorp will not attempt to recover the acquisition premium created by this proposed transaction unless the regulatory commission would impute acquisition benefits other than those committed to by MEHC and PacifiCorp in this transaction. Please separately identify all benefit imputations that PacifiCorp is committing to in this transaction for the development of retail revenue requirements that would cause MEHC and/or PacifiCorp to seek recovery in whole or in part of its acquisition premium.
- 1.25 With regard to page 13 of Mr. Goodman's testimony, please provide a copy of the financial forecast provided by ScottishPower detailing the proposed capital expenditures over the next five years.

- 1.26 Concerning page 14 of Mr. Goodman’s testimony at his discussion of non-jurisdictional affiliates, he states that “Ring-fencing” provisions will be provided for each of the diversified activities, including but not limited to provisions protecting the regulated utility from the liabilities or financial distress of MEHC. Concerning the appropriate Ring-fencing provisions for PacifiCorp and MEHC’s other regulated utility operations, please provide the following:
- a. A complete review of all Ring-fencing provisions that may be necessary in order to protect the utility’s credit standing, access to capital, and ability to fund needed utility investments to maintain high quality, reliable utility service.
 - b. Please identify any restrictions on the movement of cash flows between utility affiliates and MEHC and its non-regulated affiliates in the form of dividend payment restrictions to MEHC, and prohibitions or restrictions on affiliate loans.
- 1.27 On page 14 of Mr. Goodman’s testimony in the section titled “Separate Credit Ratings,” he states that PacifiCorp will maintain separate debt and possibly preferred stock credit ratings. With respect to this testimony, please provide the following:
- a. Copies of all correspondence with credit rating agencies that describe the credit rating implications on PacifiCorp and MEHC’s other regulated utility affiliates, created by the affiliation with MEHC and/or Berkshire Hathaway.
 - b. Please state the implications of PacifiCorp’s standalone credit rating if PacifiCorp were to enter into a purchased power agreement with an MEHC affiliate. Specifically, how will any purchased power agreement capacity payments be reviewed in the determination of PacifiCorp’s off-balance sheet debt equivalence related to purchased power agreements?
- 1.28 Referring to page 15 of Mr. Goodman’s testimony, he describes a commitment for a minimum common equity ratio. Please provide the following:
- a. Workpapers showing how the determination of the 40% minimum common equity ratio would be determined before and after the transaction using PacifiCorp’s books and records.
 - b. Comment on why short-term debt will not be factored into the minimum common equity ratio calculation.
 - c. Describe how affiliate loans/notes or other borrowing agreements will be considered in the minimum common equity ratio calculation.
- 1.29 On pages 16 to 17 of Mr. Goodman’s testimony, he identifies Ring-fencing and states that it is recognized by the major credit rating agencies as an effective means to separate the credit quality of a parent from its subsidiary. Please provide copies of all credit rating agency reports on Ring-fencing strategies and the strengths and weaknesses of various Ring-fencing strategies to isolate the credit quality of regulated utility operations from higher risk parent companies and non-regulated affiliates.

- 1.30 Referring to page 17 of Mr. Goodman’s testimony, he states that Berkshire Hathaway currently has ownership of \$1.63 billion of zero coupon convertible preferred stock of MEHC. Please identify where this zero coupon preferred stock is reflected in table 1 on page 5 of Mr. Goodman’s testimony.
- 1.31 On page 18 of Mr. Goodman’s testimony, he states that Berkshire Hathaway has the right to elect 20% of MEHC’s Board of Directors. However, now that the Public Utility Holding Company Act has been replaced, will Berkshire Hathaway now receive a greater (90%) voting interest in establishing MEHC’s Board of Directors?
- 1.32 If the answer to ICNU Data Request No. 1.31 is affirmative, please answer the following:
- a. Will Berkshire Hathaway officers or Board members be available for election to MEHC and/or PacifiCorp Board of Directors? Please explain your answer.
 - b. Please describe how PacifiCorp’s Board will attempt to maintain independence from MEHC and Berkshire Hathaway, if all three business platforms have common Board members.
- 1.33 Concerning Berkshire Hathaway’s rights of conversion of its zero coupon preferred stock to common stock of MEHC, given the repeal of the Public Utility Holding Company Act, has Berkshire Hathaway identified a timeline for conversion of the zero coupon securities to common stock securities?
- 1.34 At what time will Berkshire Hathaway, after conversion of the preferred stock to common stock, be able to elect nine of the ten members of MEHC’s Board of Directors as described by Mr. Goodman at page 20?
- 1.35 Please provide any Standard & Poors, Moody’s or Fitch Ratings reports describing how the removal of the Public Utility Holding Company Act will benefit large investors, such as Berkshire Hathaway.

General Questions

- 1.36 With regard to Berkshire Hathaway’s significant shareholder ownership in Moody’s Corporation, please provide the following:
- a. List all of Berkshire Hathaway’s current corporate officers that sit on the Board of Directors for Moody’s Corporation and indicate the role that these Board members have on the issuance of credit and debt issuance ratings for utility companies.
 - b. If any of Berkshire Hathaway’s current corporate officers sit on the Board of Directors of Moody’s Corporation, please indicate if any of those Board members may also sit on the Board of Directors of MEHC or any of its affiliates.