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October 14, 2005

BY E-MAIL AND FIRST CLASS MAIL

Oregon Public Utility Commission
Filing Center
PO Box 2148
Salem OR 97308-2148

Re: UM 1209 – In the Matter of Mid-American Energy Holdings Company

Dear Filing Center:

Enclosed for filing is an original and five copies of the City of Portland's Opening Comments in the above-referenced matter.

The parties in this matter have been served electronically and/or by first class mail. Please let me know if you have any questions regarding this matter.

Very truly yours,

Benjamin Walters
Senior Deputy City Attorney

BEW:lw
Enclosures
cc: Service List for Docket UM 1209



BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1209

In the Matter of:

MIDAMERICAN ENERGY HOLDINGS
COMPANY

Application for Authorization to Acquire
Pacific Power & Light, dba PacifiCorp.

CITY OF PORTLAND'S OPENING
COMMENTS

Introduction

The City of Portland ("City") has a significant interest in the ownership of PacifiCorp for several reasons:

- The City of a Portland is a significant customer, with more than 100 Pacific Power electricity accounts and an aggregate annual bill of over \$800,000;
- PacifiCorp serves about 30 percent of Portland residents and businesses; and
- PacifiCorp has thousands of miles of power lines and conduit in City-owned rights-of-way.

In previous utility merger proceedings, the Portland City Council has asked that the Commission address the following concerns:

- stable, reasonable rates;
- protection for customers and employees against liability for the actions of the seller;
- company management that is responsive to local needs, priorities and employees;
- commitment to local economic development; and,
- environmental protection.

PacifiCorp is an integral part of Portland's economy and community, and the City of Portland is keenly interested in ensuring that any transfer in ownership serve the public interest of PacifiCorp ratepayers and Oregon communities.

In this light, our comments address several issues we hope MidAmerican Energy Holding Company, PacifiCorp, and the Public Utility Commission will explore carefully in this proceeding:

1. Responsiveness to local priorities
2. Protection of local employees
3. Commitment to public benefits funding
4. Commitment to environmental protection
5. Assistance for low-income ratepayers
6. Rates
7. Corporate citizenship
8. Protecting ratepayers in the absence of PUHCA

The remainder of this document discusses each of these issues individually.

CONTEXT

Just four years ago, the Oregon Public Utility Commission determined the legal standard for the Commission's approval of mergers under ORS 757.511. *In re Legal Standard for Approval of Mergers*, UM 1011, Order No. 01-778, 212 PUR 4th 449, 2001 WL 1285993 (September 4, 2001). The OPUC determined that the statute requires a two-part finding: first, that the merger provide net benefits to the utility's customers, and second, a demonstration the proposed transaction will not impose a detriment on Oregon citizens as a whole. In assessing a proposed merger, the Commission considers the total set of concerns presented by the application. The Commission recently ratified this legal standard. Order No. 05-114, pages 17-18 (March 10, 2005).

The issues presented by MidAmerican Energy Holdings Company's application are numerous and significant, including the structure of the resulting business entity, the likelihood of continued rate increases, and the potential for significant job losses in Portland and accompanying shift in corporate values.

DISCUSSION OF CITY OF PORTLAND CONCERNS

1. Responsiveness to local priorities

A transfer of ownership from Scottish Power to MidAmerican Energy Holdings Company (MEHC) clearly brings PacifiCorp's ownership closer in terms of geography, but it is not at all clear that ownership moves any closer in terms of underlying organizational values, culture, or priorities. In fact, the proximity of MEHC's operations to Utah and the similarities between MEHC's other coal-oriented utility holdings and PacifiCorp's Utah Power operations suggest a potentially significant shift in PacifiCorp's orientation from Oregon to Utah. Oregon has a long history of thoughtful, far-sighted public policy decisions, and PacifiCorp has been an important partner in those efforts. A shift in PacifiCorp's focus from Oregon to Utah is a significant concern to the City.

In more concrete terms, MEHC's statements that it will "increase[e] the number of corporate and senior management positions in Utah" (PPL/101, Abel/5) is a major issue, since the practical result of this appears to be a significant relocation of jobs from Portland to Salt Lake City. The loss of jobs and shift in corporate influence are major issues for the City.

On a more general level, the acquisition of PacifiCorp by a corporation that is already extremely large and growing rapidly is of real concern. Scottish Power, while a very large organization itself, continued to allow significant decision-making at PacifiCorp. There are only limited indications that this will continue under MEHC ownership, and it is unclear what role, if any, local priorities and concerns will play in major utility decisions such as resource acquisition.

2. Protection of local employees

PacifiCorp is a major employer in Portland, and, as noted above, MEHC has indicated

that it will potentially shift jobs from Portland to Utah. The City is extremely concerned about the impacts of such a shift, both in terms of simple job loss and as an indication of PacifiCorp's corporate culture. The City is interested in assurances MEHC can provide that Portland will experience no net job loss as a result of MEHC's acquisition of PacifiCorp.

3. Commitment to public benefits funding

Energy efficiency and the development of renewable energy resources are critical to sustainable development. These priorities have served as the cornerstones of the City of Portland's energy policy for 25 years. During that time, Portland's energy policies have consistently called for improving energy efficiency and increasing the use of renewable energy. The City of Portland first adopted a formal energy policy in 1979 and updated it in 1990 and again in 2001, when it was incorporated into a joint plan between the City of Portland and Multnomah County, entitled Local Action Plan on Global Warming.

The City welcomes MEHC's acknowledgement of the renewable resource elements of PacifiCorp's current resource acquisition plan, though it should be noted that this constitutes business as usual, and not a new benefit.

More importantly, however, the City strongly encourages MEHC to make an explicit commitment to support the continuation of Oregon's 3% public purpose fee, which is critical to the on-going success of clean energy development in Oregon. The statute authorizing the 3% public purpose charge currently extends only through 2010, and it is imperative that funding for public benefits be maintained uninterrupted. Strong support for continued public purpose funding at a minimum of 3% of revenues would be a compelling indicator that MEHC is serious about supporting sustainable economic development in Oregon.

4. Commitment to environmental protection

Global climate change is an issue of great importance to the City, which faces significant

impacts on its water system as well as sharing the burden of the other impacts of climate change on the Pacific Northwest more generally. PacifiCorp has been an important leader among utilities on this issue and a strong partner to the City, and we seek assurances that this role will continue.

As with MEHC's acknowledgement of PacifiCorp's plans to acquire renewable resources, the City welcomes MEHC's affirmation of PacifiCorp's use of a carbon "adder" in its resource-acquisition analyses. Again, however, this reflects business as usual: It is an important commitment, but it is not a new benefit. A logical and meaningful extension of this commitment would be to ensure that PacifiCorp offsets a portion of the carbon emissions from any new power plants, in the spirit of Oregon's carbon-emission mitigation statute, whether located in Oregon or elsewhere.

5. Assistance for low-income ratepayers

With energy bills at unprecedented levels and Oregon's unemployment rate only gradually improving, assistance to low-income households is more important than ever.

Improving funding for and access to bill-paying assistance is a high priority for the City, and we urge MEHC to work closely with the social-service community to develop a proposal that provides adequate relief to low-income families.

6. Rates

Customers within the City of Portland spend over \$125 million annually for PacifiCorp-supplied electricity and services. As a Pacific Power customer itself, the City spends \$850,000 annually for electric energy and utility services. In managing its own budget, low, stable rates help keep City funds available for public services; throughout the Northeast Portland community as a whole, low rates improve the competitiveness of local businesses and put money in the pockets of residents. Low electric rates are an important priority to the City.

MEHC's suggestion of financial benefits to ratepayers resulting from the acquisition is an important first step. More generally, however, MEHC's indication that it intends to invest substantially in infrastructure is simultaneously reassuring and cause for concern. Clearly, investment is important and essential to the long-term health of the company; at the same time, the need for investment must be weighed against the need to keep rates low. PacifiCorp's indication that capital investment and operational costs will lead to annual rate increases of 4% for the foreseeable future is simply alarming (PPL/200; Johansen/7). Such increases will quickly swamp any financial benefits pledged by MEHC in the current proceeding.

It is unclear whether MEHC's acquisition will accelerate the climb in rates or slow it, but it is clear that the cost increases will have a major negative impact on Portland businesses and residents. The City would welcome commitments from MEHC to identify means to moderate or eliminate the anticipated climb in rates.

7. Corporate Citizenship

PacifiCorp is an important corporate citizen in Oregon and Portland. The City values PacifiCorp's past contributions and existing support for public causes. The City hopes that these efforts will be continued and strengthened, and encourages MEHC to provide assurances that PacifiCorp will continue to serve both as a significant participant in civic causes and contributor to local charities.

8. Protecting Ratepayers in the absence of PUHCA

Last year Standard & Poor's issued a report finding that the Public Utility Holding Company Act ("PUHCA") had played a valuable role in preventing registered holding companies from engaging in practices such as investing in non-core business industries like savings and loan, insurance, aircraft leasing, real estate, telecom, emerging market utilities, independent power, and energy marketing and trading that have been the cause of significant financial

difficulties for non-registered holding companies. Standard & Poor's, *Is PUHCA Beneficial or Detrimental to U.S. Utilities' Credit?*, p. 1 (February 19, 2004). The current proceeding is the first merger proposal following the repeal of the PUHCA. As such, it introduces a host of questions that have not faced the Commission in modern times, including:

- Most generally, do state regulators have adequate authority and tools to protect ratepayers of utilities owned by large holding companies?
- What regulatory safeguards can be put in place to guard against inappropriate subsidies between related corporate entities?
- Does the acquisition create a concentration of political influence significant enough to merit concern?
- Does the potential for complex corporate structures at MEHC introduce risks for PacifiCorp?
- Does the growing MEHC conglomerate create a potential disconnect between local issues and distant owners focused on other business interests?

These and related questions merit careful scrutiny by the Public Utility Commission.

CONCLUSION

In providing comments in this docket, the City of Portland is not precluded from raising additional issues in this proceeding or from modifying the comments as presented. The City continues to analyze MEHC's application and the other associated filings. While the City appreciates this important opportunity to provide input at this time, the City reserves the right to raise additional questions or identify further issues as this matter progresses.

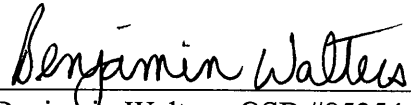
By suggesting any possible conditions to address the identified concerns, the City of Portland is not indicating at this time that it is in favor of the Commission approving this Application. The City of Portland has not yet had sufficient opportunity to evaluate the Application, or to consider the views of other parties, to reach any fully informed position regarding the merits of the proposed transaction as a whole.

The City of Portland remains open to considering and evaluating the analysis, comments,

and views of all other parties, including the Applicants, in developing its recommendations and position in this proceeding.

Dated this 14th day of October, 2005.

Respectfully submitted,



Benjamin Walters, OSB #85354
Senior Deputy City Attorney
Of Attorneys for City of Portland

CERTIFICATE OF SERVICE

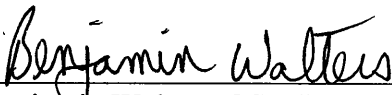
I hereby certify that I served a copy of the foregoing CITY OF PORTLAND'S OPENING
COMMENTS to:

Public Utility Commission of Oregon
Attn: Filing Center
PO Box 2148
Salem OR 97308-2148

on the 14th day of October, 2005, by electronic copy to PUC Filing Center, e-mail address:
PUC.FilingCenter@state.or.us, and by mailing the original and five copies of said document,
contained in a sealed envelope with postage paid, and deposited in the post office at Portland,
Oregon on said day.

I further certify that I served a copy of the foregoing CITY OF PORTLAND'S OPENING
COMMENTS by electronically mailing copies to the individuals on the attached Service List and
by first class mail to those individuals without an e-mail address.

DATED this 14th day of October, 2005.



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