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September 21, 2006

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

**Re: Compliance Filing: General Commitment No. 51—Disclosure Statement regarding Intermountain Geothermal Company Docket No. UM 1209**

Enclosed for filing is the Disclosure Statement that details any potential liabilities and risks, identified by or for MidAmerican Energy Holdings Company (“MEHC”), associated with the ownership rights of MEHC in Intermountain Geothermal Company.

The Commission approved the acquisition of PacifiCorp by MEHC, subject to a Consolidated List of Commitments specified in a settlement agreement supported by all parties to the proceeding. Included in this Consolidated List is MEHC’s and PacifiCorp’s commitment regarding the filing of the enclosed report. Specifically, Commitment 51 (the “Commitment”) provides that:

Subject to, and in consideration for, dismissal of all existing proceedings and no commencement of any future state regulatory proceeding against PacifiCorp involving or arising from the SEC PUHCA Audit Report of Scottish Power dated May 11, 2004, MEHC will contribute to PacifiCorp, at no cost to PacifiCorp, MEHC’s stock ownership in the Intermountain Geothermal Company and the associated steam rights (approximately 70% of the total rights) to the steam resources serving PacifiCorp’s Blundell geothermal plant and terminate MEHC’s and Intermountain Geothermal Company’s rights and obligations under the contracts. MEHC will assist PacifiCorp in determining the cost-effectiveness of acquiring the remaining 30% of the rights. No more than six months after the close of the transaction, MEHC will provide parties a clear and complete disclosure statement that details any potential liabilities and risks, identified by or for MEHC, associated with the ownership rights of MEHC in Intermountain Geothermal. MEHC also commits that PacifiCorp customers will not be harmed from the contribution to PacifiCorp of the Intermountain Geothermal steam resources and stock.

Much of the substance of the Commitment is also reflected in a Settlement Agreement entered into and filed with the Utah Public Service Commission in Docket No. 05-035-98 on March 24, 2006. Among other things, that Settlement Agreement required the transfer by MEHC of its stock ownership in IGC to PacifiCorp, at no cost to PacifiCorp, and the termination of the then-current steam supply contract, which provided for market pricing. Settlement Agreement Paragraph 3(c). The Settlement Agreement also contains a release for PacifiCorp from all claims arising out of the claims made by the Utah Committee of Consumer Services in Docket No. 05-035-98 and claims related to the audit conducted by the SEC of the Scottish Power registered holding company system in 2003 and 2004 and refunds, facts and circumstances related thereto. By Order dated April 10, 2006, the Public Service Commission of Utah approved the Settlement Agreement.

Pursuant to the Commitment and Settlement Agreement, MEHC made the stock transfer described therein on March 21, 2006, and the rights and obligations under the previously existing IGC contracts have been terminated and replaced with cost-based contracts pursuant to the Settlement Agreement.

The purpose of this notice is to provide parties with the disclosure statement required by the Commitment.

### **Description of Potential Liabilities and Risks**

The potential liabilities and risks associated with the transfer of IGC to PacifiCorp are as follows:

- issues concerning steam emissions as identified in an Approval Order Number BAQE-131-88 ("Approval Order") issued by the Utah Division of Air Quality;
- the use and handling of the down-hole scale inhibitor;
- the potential for injection well casing failure leading to premature brine injection and subsequent contamination of ground water;
- the presence of hydrogen sulfide;
- issues concerning unlined evaporation ponds;
- the potential for additional plug and abandonment regulatory requirements;
- the assessment of the asset retirement obligations; and
- the general risks associated with field operations of a geothermal resource.

This list is neither exclusive nor exhaustive, nor is it meant to identify every possible risk and potential liability, but rather it provides a broad overview of the currently recognized major environmental and operational issues that relate to the transfer of the IGC assets. The following discusses these major issues in more detail:

The liability associated with the Approval Order concerns the emission of vented steam to the atmosphere through various vent stacks and engineered ports as a function of full load rejections, steam line warming, and various warming stand-by scenarios. The reportable period is two hours or more of continuous flow of steam. The standard practice is to log all occurrences and complete and file a break-down report with the Utah State Division of Air Quality as required by the Approval Order.

IGC has been injecting a polymer, Nalco number 94D0233, since 1991 in all four production wells at a depth of 2800 feet in order to mitigate and control the build-up of calcium carbonate at a rate of approximately 270,000 pounds per year. The activities of off-loading, storing, and using 270,000 pounds of polymer annually presents certain inherent risks relating to spills, containment, well bore integrity, and personal safety of plant and vendor employees. To insure integrity of the injection system at each production well site, the injection tubing is pulled and inspected every 90 days; new fittings are installed every 180 days; and the tubing is completely replaced every year. All chemical storage tanks are surrounded by a concrete secondary spill containment area. Employees are trained in chemical handling, spill remediation and clean-up, and emergency response to prevent serious accidents, environmental damage, and personal injury.

A potential exists for injection well casing to wear and corrode thus creating the potential for the injected brine fluid to enter the ground water supply. This could happen if the casing is breached in either of the three injection wells and the brine exits the casing before it reaches the desired penetration depths of 1632, 1805 and 2001 feet. Plans are in place to conduct injection well casing integrity surveys during the plant overhauls. These surveys will assist in providing the plant with data capable of identifying and predicting degradation in the well casing. The next opportunity for this inspection will be May 2007. Thereafter, injection well casing surveys will be scheduled at two year intervals. Efforts are also underway to identify and prepare relevant information to submit an application for an Underground Injection Control (UIC) permit with the Utah State Division of Water Quality. This permit is necessary in the event the generation capacity expansion plans at Roosevelt Hot Springs are approved. It is likely that any approved permit will create additional requirements for PacifiCorp to measure and monitor the potential for ground water contamination.

Hydrogen sulfide is present in very small quantities; however, an extremely slight potential exists to encounter this gas in amounts above the permissible exposure limit. All employees are trained in confined space entry permitting, which includes the use of air/gas monitors capable of hydrogen sulfide detection and monitoring. Portions of PacifiCorp's annual safety training classes include the discussion of the potential danger of working in areas where hydrogen sulfide is or can be present.

The existing evaporation and percolation ponds are not lined with any fabric or synthetic membrane. A remote potential exists that the Bureau of Land Management (BLM) will determine this practice is no longer acceptable and request some type of remediation; however, there is no indication that any action is being considered by the BLM at this time.

Currently the BLM is not requiring any plug and abandonment work be considered on any of the six old observation and exploration wells. Also, all right-of-way applications are current and inasmuch as four wells were plugged in September 2005 by order of the BLM, no further current action by the BLM is anticipated. Some potential risk is present regarding exposure to the public as the wells are located on BLM property. This risk is not new and there has not been any indication based on the past 25 years of exposure that this is an imminent concern. The liability for the Asset Recovery Obligation has been booked and recorded to reflect the amortizable nominal basis of \$1,260,000 for the cost of plugging all exiting wells and the associated reclamation efforts identified with IGC assets.

The general field operational risks to personnel and equipment working in and around a geothermal production site are always present. The fact is that temperatures of 350 degrees Fahrenheit and pressures in excess of 200 pounds per square inch are present in many locations in the steam field. When these risk factors are coupled with the forces of mother nature and the laws of physics, the potential for harm to personnel, damage to equipment, and possible disruption or diminished supply of steam can be considered potentially at risk. Additional risks to the supply of steam are concerning injection well 82-33 being outside the geothermal reservoir boundary and production wells 54-3 and 13-10 which are approaching the end of their productive life. Plans are in place to drill replacement injection and production wells in 2010. Thus, PacifiCorp Energy's drilling plan will mitigate the loss of geothermal fluid outside the reservoir and loss or degradation of steam supply.

IGC's current practice, as prescribed by the BLM, is to conduct subsidence surveys every five years to allow an independent observable method of comparing relevant survey data with historical monument benchmark data. This process provides a scientific method of measuring changes in the geologic structure of the site. To date, there has been no indication or detection of any significant disturbance in the participating area. Beyond these measures, the safety and protection of the employees as well as respect for the environment and the steam field resource are first and foremost objectives of all levels of management.

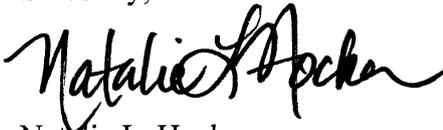
Pacific Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Informal inquiries may be directed to Laura Beane, Regulatory Manager, at (503) 813-5542.

Sincerely,



Natalie L. Hocken  
Assistant General Counsel

cc: Service List UM 1209

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of June, 2006, I caused to be served, via Email(if address available) or U.S. mail, a true and correct copy of the Cover Letter for PacifiCorp's Compliance Filing (Commitment O51) in Docket UM 1209.

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