

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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**DIRECT TESTIMONY  
OF  
WAYNE F. IRMITER  
MIDAMERICAN ENERGY HOLDINGS COMPANY  
ON BEHALF OF PRAIRIE WIND TRANSMISSION, LLC**

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**DOCKET NO. 08-PWTE-1022-COC**

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**I. INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. Wayne F. Irmiter. My business address is 666 Grand Avenue,  
Suite 2900, Des Moines, Iowa 50309.

**Q. BY WHO ARE YOU EMPLOYED AND IN WHAT POSITION?**

A. I am employed by MidAmerican Energy Holdings Company  
(MidAmerican). I serve as vice president and chief accounting  
officer. I am also a member of the Board of Members of Prairie  
Wind Transmission, LLC.

**Q. PLEASE DESCRIBE THE RESPONSIBILITIES OF YOUR  
CURRENT POSITION.**

1       A.     My current responsibilities include public and internal financial  
2             reporting, implementation and maintenance of corporate accounting  
3             policies and technical research and analysis. I am also responsible  
4             for maintaining all of the Company's financial systems, processes  
5             and controls, which includes compliance with the Sarbanes-Oxley  
6             Act of 2002. I also supervise the preparation of the budget and 10-  
7             year plan and have supported a number of significant initiatives at  
8             MidAmerican including, among others, the integration of the  
9             PacifiCorp acquisition in 2006 and forming the Electric  
10            Transmission America, LLC and Electric Transmission Texas, LLC  
11            joint ventures with American Electric Power Company, Inc. in 2006  
12            and 2007. I serve on the board of managers for both joint ventures.

13       **Q.     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND**  
14       **AND BUSINESS EXPERIENCE.**

15       A.     I received my Bachelor of Arts in accounting from the University of  
16             Northern Iowa in Cedar Falls, Iowa in 1988. I passed the certified  
17             public accountant exam in May 1988. My professional experience  
18             includes both public and industry experience. From 1988 through  
19             1993, I worked in public accounting for KPMG Peat Marwick in  
20             Houston, Texas and PricewaterhouseCoopers, then known as  
21             Coopers & Lybrand, in Omaha, Nebraska. From 1994 through  
22             2002, I worked for several organizations, including Rubbermaid,  
23             Inc. in Wooster, Ohio, where I was employed, most notably, as

1 manger of financial planning and analysis and Gateway, Inc. in  
2 North Sioux City, South Dakota, where I held several positions  
3 including director – finance, where I was responsible for financial  
4 planning and analysis, and director - strategic initiatives, where I  
5 was responsible for implementing multiple enterprise initiatives and  
6 redesigning core processes. Since 2002, I have been employed as  
7 the vice president and chief accounting officer at MidAmerican.

8 **Q. WHAT IS YOUR INVOLVEMENT IN THE MANAGEMENT OF**  
9 **ETA?**

10 A. I serve as one of the managers on ETA's Board of Managers.

11 **II. PURPOSE OF TESTIMONY**

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. My testimony will address three topics. First, I will provide  
14 background on MidAmerican and its subsidiaries. Second, I will  
15 describe MidAmerican's investment philosophy. Third, I will provide  
16 an overview of MidAmerican's philosophy for managing its interests  
17 in ETA.

18 **III. DESCRIPTION OF MIDAMERICAN**

19 **Q. PLEASE PROVIDE AN OVERVIEW OF MIDAMERICAN'S**  
20 **BUSINESS ACTIVITIES.**

21 A. MidAmerican is a holding company whose subsidiaries own and  
22 operate energy assets. Its subsidiary MEHC America Transco, LLC  
23 is one of the investors in Electric Transmission America, LLC  
24 (ETA). MidAmerican is in turn majority owned by Berkshire

1 Hathaway Inc. (Berkshire), a holding company with diverse  
2 business interests.

3 As of December 31, 2007, MidAmerican's global assets  
4 were approximately \$39 billion, and its operating revenues were  
5 over \$12 billion for fiscal year 2007. MidAmerican subsidiaries  
6 provide electric service to over 6 million end-use customers and  
7 have almost 18,000 miles of transmission facilities making it the  
8 fifth largest transmission owner in the United States.

9 MidAmerican's seven major business platforms are as  
10 follows:

- 11 • MidAmerican Energy Company (MEC) is a vertically  
12 integrated electric and natural gas utility headquartered in  
13 Des Moines, Iowa. As of year-end 2007, MEC provided  
14 regulated electric service to approximately 630,900  
15 customers in Iowa, 84,800 customers in Illinois, and 4,000  
16 customers in South Dakota. Regulated gas service was  
17 provided to approximately 549,600 customers in Iowa,  
18 65,800 customers in Illinois, 82,600 customers in South  
19 Dakota, and 4,400 customers in Nebraska. Competitive gas  
20 and electric service is provided in several states, including  
21 Illinois, to approximately 12,270 customers.
- 22 • PacifiCorp is a vertically integrated electric utility  
23 headquartered in Portland, Oregon. PacifiCorp provides

1 regulated electric service to approximately 1.7 million  
2 customers in the West. The company operates as Pacific  
3 Power in Oregon, Washington and California; and as Rocky  
4 Mountain Power in Utah, Idaho, and Wyoming. The  
5 company owns and operates a large, diverse portfolio of  
6 power generating assets and has almost 16,000 miles of  
7 transmission lines.

8 • CalEnergy Generation is a world leader in renewable  
9 energy, owning and operating a total of 10 geothermal power  
10 plants in the western United States. The business platform  
11 consists of separate entities which also own and operate  
12 natural gas generating stations in Arizona, Illinois, Texas and  
13 New York, as well as a small hydroelectric facility in Hawaii,  
14 and an innovative hydroelectric plant and irrigation project in  
15 the Philippines.

16 • Kern River Gas Transmission Company is a natural gas  
17 pipeline company headquartered in Salt Lake City, Utah. Its  
18 interstate pipeline facilities are comprised of nearly 1,700  
19 miles of pipeline stretching from Wyoming to southern  
20 California.

21 • Northern Natural Gas Company (Northern Natural) is a  
22 natural gas pipeline company headquartered in Omaha,

1 Nebraska. Its system is comprised of approximately 15,700  
2 miles of pipeline from Texas to the upper Midwest.

- 3 • CE Electric UK Funding plc owns two electricity distribution  
4 businesses that serve 3.8 million end-use customers across  
5 approximately 10,000 square miles of northeast England.
- 6 • HomeServices of America, Inc. is the second-largest  
7 residential real estate brokerage company in the United  
8 States and is a leader in each of the 26 top markets its  
9 associates serve. The company has almost 19,000 sales  
10 associates in 19 states and had more than \$50 billion in  
11 residential real estate sales in 2007.

12 **Q. WHAT IS THE OWNERSHIP STRUCTURE OF MIDAMERICAN?**

13 A. MidAmerican is a subsidiary of Berkshire, which currently owns  
14 88.2% (87.4% on a diluted basis) of MidAmerican's common.  
15 Walter Scott Jr. (along with family interests), a MidAmerican Board  
16 of Directors member; David L. Sokol, MidAmerican's Chairman;  
17 and Gregory E. Abel, MidAmerican's President and Chief Executive  
18 hold the remainder of MidAmerican's common stock and options.

19 **Q. PLEASE PROVIDE AN OVERVIEW OF BERKSHIRE.**

20 A. Berkshire is a holding company owning subsidiaries engaged in a  
21 number of diverse business activities. The most important of these  
22 is the property and casualty insurance business conducted on both  
23 a direct and reinsurance basis through a number of subsidiaries.

1 Numerous business activities are conducted through non-insurance  
2 subsidiaries. In addition to its energy platform, MidAmerican,  
3 Berkshire's holdings include, among other businesses, the  
4 manufacturing of industrial, commercial and consumer products;  
5 the retailing of consumer goods, furnishings and apparel; and  
6 commercial and consumer lending and leasing activities. Berkshire  
7 also owns equity interests in various publicly held companies that  
8 are not regulated utilities or otherwise engaged in the generation or  
9 transmission of electricity or the transmission of natural gas.

10 **Q. PLEASE DESCRIBE THE MANAGEMENT RELATIONSHIP**  
11 **BETWEEN BERKSHIRE AND MIDAMERICAN.**

12 A. Berkshire's general description in its U.S. Securities and Exchange  
13 Commission 2007 Form 10-K depicts its relationship with  
14 MidAmerican. It stated:

15 Berkshire's operating businesses are managed on an  
16 unusually decentralized basis. There are essentially  
17 no centralized or integrated business functions (such  
18 as sales, marketing, purchasing, legal or human  
19 resources) and there is minimal involvement by  
20 Berkshire's corporate headquarters in the day-to-day  
21 business activities of the operating businesses.  
22 Berkshire's corporate office management participates  
23 in and is ultimately responsible for significant capital  
24 allocation decisions, investment activities and the  
25 selection of the Chief Executive to head each of the  
26 operating businesses. (Page 51.)

27 **Q. WHAT MIDAMERICAN ENTITY HAS AN OWNERSHIP**  
28 **INTEREST IN ETA?**

1 A. A wholly-owned subsidiary of MidAmerican, MEHC America  
2 Transco, LLC has a 50% interest in ETA. MEHC America Transco,  
3 LLC has been incorporated to hold MidAmerican's interest in ETA.

4 **IV. MIDAMERICAN'S INVESTMENT PHILOSOPHY**

5 **Q. WHY HAS MIDAMERICAN DECIDED TO MAKE AN**  
6 **INVESTMENT IN ETA AND, IN PARTICULAR, PRAIRIE WIND**  
7 **TRANSMISSION, LLC?**

8 A. MidAmerican has identified the energy industry as a preferred area  
9 for investment of a significant amount of its capital resources in the  
10 coming years, including capital made available by Berkshire. In  
11 MidAmerican's experience, investments in the regulated energy  
12 business provide opportunities for fair and reasonable returns if  
13 operated with a focus upon the objectives of customer satisfaction,  
14 reliable service, employee safety, environmental stewardship and  
15 regulatory/legislative credibility. MidAmerican does not expect  
16 extraordinary returns from the regulated business, but does expect  
17 the opportunity to earn reasonable returns on its investments in  
18 transmission assets. Because the utility industry offers the  
19 opportunity to invest large sums at fair returns, utility investments  
20 offer a good fit with Berkshire's and MidAmerican's strategy of  
21 investing in companies with consistent earning power and fair  
22 returns.

23 The transmission utility joint venture with American Electric  
24 Power Company, Inc. (AEP) that formed ETA and the ETA joint



1 venture with Westar Energy Inc. (Westar Energy) that formed  
2 Prairie Wind Transmission, LLC (Prairie Wind) further advance  
3 MidAmerican's goal of owning and operating a portfolio of high-  
4 quality energy businesses with a strong emphasis on the objectives  
5 mentioned above. Prairie Wind will be well-managed and will own  
6 sound assets, fulfilling a need for extensive transmission  
7 investment in Kansas.

8 With access to the substantial capital resources of Berkshire,  
9 MidAmerican is uniquely suited to undertake the infrastructure  
10 investments that are needed in SPP in the proposed 765-kV  
11 transmission system that will form part of a new electric  
12 transmission "superhighway" using AEP's proven 765-kV  
13 transmission technology to address constraints. As discussed in  
14 the testimony of others in this proceeding, construction of these  
15 facilities will allow efficient delivery of wholesale power regionally  
16 within a competitive market while enhancing regional reliability,  
17 enabling the development of renewable energy, lowering  
18 transmission losses, enhancing economic development and  
19 reducing air emissions. Because MidAmerican is not capital  
20 constrained and is committed to being a long-term investor in the  
21 utility sector, there is a strong match between SPP's need for  
22 investment, the regulatory climate, and Berkshire's and  
23 MidAmerican's investment philosophy.

1           The likelihood of Prairie Wind's success is enhanced by  
2 multiple factors. First, significant similarities between AEP and  
3 MidAmerican's two domestic utilities, MEC and PacifiCorp, have  
4 resulted in a good working relationship between the partners. Both  
5 the AEP and MidAmerican utilities share similarities in their electric  
6 delivery businesses including: comparable service territories (e.g.,  
7 multi-state areas with relatively low population density and few  
8 large urban centers); large transmission systems that transverse  
9 their respective service territories; a long history of building and  
10 maintaining such facilities; service territories that have a mix of  
11 retail-access and traditionally regulated utility business; and a focus  
12 on customer satisfaction and employee safety.

13           Second, AEP's experience with industry leading  
14 transmission efforts provides a solid operational foundation for  
15 ETA. Further, MidAmerican's experience with transmission  
16 operations in Iowa, where wind energy accounts for a relatively  
17 large portion of electric generation, should complement AEP's  
18 transmission expertise and likewise contribute to ETA's success.

19           Third, critical to ETA's business model and investment  
20 opportunities is to partner with solidly-managed incumbent utilities  
21 such as Westar Energy. Westar Energy provides electric service at  
22 retail in Kansas. Westar Energy also provides wholesale service to  
23 many municipalities and cooperatives that provide retail service to

1 additional Kansas customers. Westar Energy currently operates  
2 and coordinates approximately 33,000 miles of electric distribution  
3 and transmission lines. Prairie Wind would have never formed if  
4 not for the complete cooperation and support from Westar Energy.

5 **Q. PLEASE PROVIDE EXAMPLES OF MIDAMERICAN'S**  
6 **INFRASTRUCTURE INVESTMENTS.**

7 A. In May 2007, PacifiCorp announced plans to build in excess of  
8 1,200 miles of new high-voltage transmission lines primarily in  
9 Wyoming, Utah, Idaho, Oregon and the desert Southwest. The  
10 estimated \$4.1 billion investment plan includes projects that will  
11 address customers' increasing electric energy use, improve system  
12 reliability and deliver wind and other renewable generation  
13 resources to more customers throughout PacifiCorp's six-state  
14 service area and the Western United States. These transmission  
15 lines are expected to be placed into service beginning 2010 and  
16 continuing through 2014.

17 Wind generation offers another great example of  
18 MidAmerican's commitment to infrastructure development. MEC  
19 leads the nation in ownership of wind-powered electric generating  
20 facilities among rate-regulated utilities. With the current  
21 development projects, the company will have installed 800 wind  
22 turbines, totaling nearly 1,232 MW of generation capacity by the  
23 end of the year. That commitment will help maintain the company's

1 national ranking as the leading owner of wind generation capacity  
2 among regulated utilities.

3 PacifiCorp also owns or has contracts for the energy  
4 produced from 429 MW of operating wind projects, with another  
5 660 MW of wind capability scheduled to be in service by the end of  
6 2008, from third party or PacifiCorp owned wind projects. In  
7 addition, PacifiCorp has contract negotiations and development  
8 activities ongoing for up to an additional 1,538 MW or more of  
9 future wind capability.

10 MidAmerican subsidiaries MEC, Kern River and Northern  
11 Natural have made significant electric and gas transmission  
12 investments in recent years. MEC completed 124 miles of 345 kV  
13 line expansion within the last year at a total project cost in excess  
14 of \$160 million. Since MidAmerican acquired Kern River in 2002, it  
15 has funded and successfully completed a \$1.2 billion, 18-month  
16 capital expansion project on time and under budget. Northern  
17 Natural Gas has also completed the first phase of its Northern Lights  
18 expansion projects which will add 650,100 decatherms per day  
19 capacity to its pipeline system. The Northern Lights expansion  
20 projects are expected to require over \$336 million of capital of  
21 which \$169 million was incurred through December 31, 2007.

22 **Q. HAS MIDAMERICAN DIVESTED ANY OF ITS PLATFORMS?**

1 A. No. MidAmerican is a long-term investor. Like our parent  
2 Berkshire, we have no "exit strategy." We buy to keep. We  
3 carefully assess the operations, assets and management of  
4 potential acquisitions before we enter into a transaction. We do not  
5 enter into speculative transactions, and we do not acquire utility  
6 assets in anticipation of quick profits and a quick sale. Instead,  
7 MidAmerican looks for opportunities to deploy capital in long-term  
8 investments where we believe the results of such investments will  
9 be fair to customers, employees and shareholders. We have never  
10 sold any of our business platforms and even our sale of individual  
11 assets has been relatively rare. MidAmerican's business strategy  
12 should provide Prairie Wind's customers, communities, and  
13 regulators with valuable stability.

14 **V. MIDAMERICAN'S MANAGEMENT PHILOSOPHY**

15 **Q. HOW WILL MIDAMERICAN PARTICIPATE IN PRAIRIE WIND'S**  
16 **BUSINESS?**

17 A. MidAmerican will participate in Prairie Wind's business in two ways.  
18 First, it will assess potential investments in transmission facilities  
19 and makes capital investments in facilities that it believes will  
20 provide a reasonable opportunity for a fair return on investment.  
21 Second, MidAmerican will monitor and assess the ongoing  
22 operations of Prairie Wind.

23 **Q. PLEASE ELABORATE ON MIDAMERICAN'S ASSESSMENT OF**  
24 **POTENTIAL INVESTMENT AND CAPITAL COMMITMENTS.**

1       A.     MidAmerican applies its transmission operations experience to  
2             assess potential transmission investments. That assessment takes  
3             into account both the planning process within region and the  
4             regulatory climates at the Federal Energy Regulatory Commission  
5             (FERC) and at the state level.

6             With respect to regional planning, MidAmerican is pleased  
7             that there is a strong regional planning process in place in SPP.  
8             The participation of SPP stakeholders and the results of the  
9             stakeholder process are important factors in determining that any  
10            decision to build transmission assets will be prudent. MidAmerican  
11            is also pleased that regionalized rates are seriously being  
12            considered by SPP. Regionalized rates are critical to the  
13            construction of the proposed 765-kV transmission system that will  
14            form part of the new electric transmission “superhighway” to  
15            address constraints affecting the SPP region.

16            With respect to the FERC, there is a clear ratemaking  
17            process in place that provides a reasonable opportunity for a fair  
18            return on investment.

19            With respect to the Commission and the state of Kansas,  
20            MidAmerican believes there will be support for construction of  
21            transmission facilities that will allow efficient delivery of wholesale  
22            power, enhance regional reliability, enable development of

1 renewable energy, reduce transmission losses, boost economic  
2 development and reduce air emissions.

3 **Q. PLEASE ELABORATE ON MIDAMERICAN'S APPROACH TO**  
4 **MONITORING AND ASSESSING PRAIRIE WIND'S**  
5 **OPERATIONS.**

6 A. MidAmerican will rely mainly upon AEP's service company,  
7 American Electric Power Service Corporation (AEPSC) and Westar  
8 Energy, to provide the necessary services to Prairie Wind.  
9 Because AEP has a long history of successfully owning and  
10 operating a variety of transmission assets and Westar Energy has  
11 experience in operating in Kansas, MidAmerican is confident that  
12 AEPSC and Westar Energy can reasonably support Prairie Wind's  
13 operations. Additionally, under the terms of the Services  
14 Agreements and the Prairie Wind LLC agreement, MidAmerican,  
15 through its participation on ETA's and Prairie Wind's Board of  
16 Managers, will review budgets and costs for services provided by  
17 AEPSC and Westar Energy. MidAmerican will assess the  
18 reasonableness and necessity of the costs that ETA and Prairie  
19 Wind incurs in order to ensure that the services acquired provide  
20 value to Prairie Wind's customers.

21 **Q. THANK YOU.**