

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of

PACIFICORP AND SCOTTISH POWER PLC

For an Order (1) Disclaiming Jurisdiction or, in the Alternative, Authorizing the Acquisition of Control of PacifiCorp by ScottishPower and (2) Affirming Compliance with RCW 80.08.040 for PacifiCorp's Issuance of Stock in Connection with the Transaction

Docket No. UE-981627

STIPULATION

BACKGROUND

On December 31, 1998, PacifiCorp and ScottishPower filed an Application with the Commission requesting an Order (1) Disclaiming Jurisdiction or, in the Alternative, Authorizing the Acquisition of Control of PacifiCorp by ScottishPower and (2) Affirming Compliance with RCW 80.08.040 for PacifiCorp's Issuance of Stock in Connection with the Transaction. Prehearing conferences were convened on February 8, and March 18, 1999, and Joint Applicants submitted their direct testimony on April 23, 1999.

PacifiCorp and ScottishPower entered into a Stipulation with Staff of the Washington Utilities and Transportation Commission ("Staff") on June 10, 1999 resolving the issues between PacifiCorp/ScottishPower and Staff. The Stipulation with Staff was included as Exhibit __ (DEK-1) in Staff's testimony filed in this proceeding. Following the completion of evidentiary hearings in other states, PacifiCorp and ScottishPower met with Staff and discussed possible modifications to the June 10 Stipulation to include commitments, as appropriate, extended by Joint Applicants in other states. These parties determined that it would be appropriate to amend the June 10 Stipulation to include several additional provisions.

PacifiCorp and ScottishPower have also engaged in a number of discussions with the Public Counsel Section, Office of the Attorney General ("Public Counsel") to discuss the proposed transaction and resolve outstanding issues. These parties were able to agree upon terms that resolve the issues between PacifiCorp/ScottishPower and Public Counsel.

This Stipulation represents the combined terms and conditions agreed upon by PacifiCorp, ScottishPower, Staff and Public Counsel (the "Parties"), and constitutes the resolution of issues among the Parties. This Stipulation supersedes the June 10 Stipulation between PacifiCorp/ScottishPower and Staff.

TERMS OF STIPULATION

The terms and conditions of this Stipulation are set forth below. The Parties recommend that the Commission approve the Application in this docket, subject to the conditions of this Stipulation.

1. PacifiCorp/ScottishPower agree to abide by all commitments and conditions set forth in Appendix A, which lists commitments and conditions included in their application in Docket No. UE-981627 and the accompanying testimony and exhibits that are not amended or superseded by, or included within, this Stipulation. The commitments and conditions set forth in Appendix A in some instances (e.g., Section IV.A.1 and 2) include matters that are below-the-line or otherwise not within the ratemaking process. Neither Staff nor Public Counsel takes a position as to the appropriateness of such matters.
2. The capital requirements of PacifiCorp, as determined to be necessary to meet its obligation to serve the public, shall be given a high priority by the Board of Directors of the parent holding company and the utility.
3. In each rate proceeding filed with the Commission, PacifiCorp/ScottishPower shall have the burden to show that any resource additions, including renewable resources, which are included in the rate base or the revenue requirement for the first time in that rate proceeding are reasonable and prudent investments.
4. Commencing January 1, 2001, PacifiCorp/ScottishPower shall provide guaranteed merger-related cost-of-service reductions for four years through an annual merger credit. The amount of the credit shall be \$3 million per year for years 2001, 2002, 2003 and 2004. The total credit in years 2001-2004 will be \$12 million. The commitment to achieve \$10 million in annual corporate cost savings across the PacifiCorp system set forth as item II.B.1. in Exhibit AVR-7 is included within, and is superseded by, this merger credit. PacifiCorp/ScottishPower may reduce or offset the \$3 million merger credit to the extent that cost reductions related to the merger are reflected in rates. The merger credit shall be allocated among PacifiCorp's retail tariff customers (excluding customers served under special contracts) on the basis of a uniform percentage of the customer bill, exclusive of taxes. At the end of each year, the aggregate amount of credit paid in that year shall be calculated. These calculations shall be audited by Staff, which shall report its audit results to the Commission. Public Counsel shall be advised of and, at its sole discretion, may participate in the audit. Audit results shall be reported to Public Counsel. In the event the merger credit does not equal \$3 million in any of the first three years, the excess or shortfall shall be applied to the \$3 million due in the following year. In the event that PacifiCorp's customers are offered retail direct access prior to the end of the four years for payment of the merger credit, the Commission shall determine at that time how the outstanding merger credit shall be paid. Any other items required to

implement this merger credit shall be included in the merger credit tariff for approval by the Commission, filed no later than December 1, 2000.

5. PacifiCorp will fund network expenditures required to implement the service standards commitments in ScottishPower's direct testimony from efficiency savings and redirected internal funding and will report funding sources and expenditures against the \$55 million estimate.

6. All transaction costs associated with this merger and the premium paid by ScottishPower for PacifiCorp will be excluded from all future ratemaking treatment in Washington.

7. If ScottishPower is able to lower the costs of capital, then those savings shall be reflected in rates in accordance with regulatory practices in the State of Washington. If, however, the cost of capital of electric operations of PacifiCorp increases as a direct result of the merger, ScottishPower's shareholders will bear that cost.

8. Unless otherwise approved by the Commission upon request of a party, a hypothetical capital structure will be used by the Parties to determine the correct costs of capital for ratemaking purposes in Washington. The capital structure shall be constructed using a group of electric utilities comparable to PacifiCorp.

9. No later than six months after the closing date of the merger, PacifiCorp/ScottishPower shall file with the Commission and provide to Staff and Public Counsel the merger transition plan including anticipated time lines, actions anticipated necessary to implement the merger and the proposed benefits, the estimated associated capital and expense expenditures and anticipated workforce changes. PacifiCorp/ScottishPower will file any written modifications to the transition plan that occur within five years after the merger closing date. PacifiCorp/ScottishPower will not dispute the use of figures from the transition plan (as modified) as a basis for pro forma adjustments proposed by Staff or Public Counsel, in accordance with ratemaking practices in Washington, for known and measurable cost savings in the rate year.

10. PacifiCorp/ScottishPower, Staff and Public Counsel will work together to establish the baselines related to the network performance standards, and will file any agreed baselines with the Commission as a compliance filing in this proceeding. If the parties fail to agree on the appropriate baselines within thirty (30) days after the Commission's final order in this proceeding, PacifiCorp/ScottishPower shall no later than forty-five (45) days after such order submit a filing to the Commission setting forth their proposed baselines. Staff, Public Counsel and other interested parties will be given an opportunity to comment on such filings. PacifiCorp/ScottishPower agree to abide by the Commission's decision regarding the appropriate baselines.

11. In addition to their network and customer service performance standards, PacifiCorp/ScottishPower agree to comply with any service standards adopted by the Commission. PacifiCorp/ScottishPower will not oppose adoption in Docket No. UE-990473 of minimum customer service and service quality provisions which address elements within the package of service quality proposals offered by Joint Applicants in this merger and which do not conflict with those proposals; provided, however, that PacifiCorp/ScottishPower reserve the right to comment on any proposed condition in such Docket. Staff and Public Counsel acknowledge that the penalties associated with the PacifiCorp/ScottishPower network and customer service performance standards adopted as a result of this merger proceeding will not apply to any service standards adopted by the Commission. The provisions of this paragraph will not: (a) affect any penalties adopted or assessed by the Commission as part of any rules, or (b) limit Staff's or Public Counsel's ability to advocate for service quality and customer service provisions and penalties in other proceedings.

12. PacifiCorp/ScottishPower agree that in resolving complaints referred to the company by the Commission, the applicable Commission rule, currently WAC 480-100-096(5), will govern the company's actions with respect to the time within which an initial response will be provided to the Commission.

13. The Parties agree that the number of complaints received by the Commission from PacifiCorp customers should be reduced as a result of implementation of the service quality improvements proposed by PacifiCorp/ScottishPower in this proceeding. The level of such complaints shall be reviewed by the Parties two years following completion of the transaction. If a reduction in the number of such complaints is not achieved, PacifiCorp/ScottishPower will file a report with the Commission as soon as practicable following such review detailing the areas of concern most often raised by customers and proposing an action plan for addressing these concerns in the future.

14. As soon as practicable following completion of the transaction, the Parties will work together to develop an effective education program for the company's customers regarding the customer service guarantees. The purpose of such a program will be to educate customers about their rights under such customer service guarantees and the steps required to claim any payment due to customers based on lack of performance on the part of the company. PacifiCorp/ScottishPower will notify customers annually of the customer service guarantees and how to effect any credits due them. Such notification may be included as part of the company's annual report to customers regarding its record with respect to performance standards and customer guarantees.

15. As part of the implementation of the customer service guarantees, PacifiCorp/ScottishPower will empower its business office staff to process calls from customers seeking to make claims under the guarantee regarding restoration of power supply within 24 hours.

16. PacifiCorp/ScottishPower agree that during the 15-day working period in which the company has committed to investigate and report back to customers on billing or metering problems, it will not take action with respect to such customers' accounts by initiating collection remedies or disconnecting customers' power supply.

17. PacifiCorp/ScottishPower agree to implement Prosper, an automated reporting system, within 12 to 18 months after closing of the merger. PacifiCorp will operate its current outage reporting system until Prosper is implemented.

18. PacifiCorp/ScottishPower will make semi-annual reports to the Commission, Staff and Public Counsel regarding its performance in Washington against the network performance benchmarks set forth in ScottishPower's testimony and modified in this stipulation. With respect to customer service performance and customer guarantees, such reports shall be provided quarterly. Such reports shall commence upon the conclusion of the first full semi-annual period after closing of the merger, and shall continue until the conclusion of the fifth year after closing of the merger. These reports will include PacifiCorp's performance against each benchmark over a quarterly (and once available, annual) time frame. PacifiCorp will also include the number and amount of customer payments claimed and granted under each of the benchmarks. Information used to prepare the reports shall be available upon reasonable request of Staff or Public Counsel. Three years after closing of the merger, the Parties shall evaluate the frequency of this reporting requirement, and may agree to modify the frequency of the reports with the approval of the Commission.

19. The network performance standards, customer service performance standards, and customer guarantees will be reviewed after two years of experience in Washington to see if any modifications need to be made to better maintain or improve network reliability, network safety, and customer service and satisfaction. In this regard, no later than July 1, 2002, PacifiCorp/ScottishPower will file with the Commission and all intervenors in this Docket a report detailing the companies' experience with the established standards (including any customer satisfaction information, company performance of the established standards, an analysis of the factors used to calculate the CPI, any proposed changes to the standards, and the reasons for such proposed changes). Staff, Public Counsel and intervenors shall be given an opportunity to comment on such report. Pending any changes resulting from this report, the existing service standards and customer guarantees would remain in place in Washington.

20. The following shall apply with respect to the network performance standard regarding the five worst performing circuits:

(a) ScottishPower will select annually, for five years following closure of the merger, the five worst performing circuits in Washington on the basis of the Circuit Performance Indicator (CPI). Corrective measures will be taken within 2 years of nomination to reduce the CPI on each selected circuit by

20%.

(b) In implementing the network performance standard regarding five worst performing circuits within Washington, any circuit selected in any one year as a worst performing circuit shall not be reselected during the five (5) year period.

(c) For each year the selection of five worst performing circuits will use the CPI data from the most recent full three-year period.

(d) To meet the CPI standard, PacifiCorp must achieve at least a 20% improvement in the CPI for the five worst feeders selected.

(e) If PacifiCorp is unable to obtain the appropriate planning consents to improve a selected circuit PacifiCorp will select another circuit, consistent with improving service to worst served customers.

21. If PacifiCorp's network performance falls below baseline levels (as determined in condition 10 above) in Washington, PacifiCorp/ScottishPower will present a report as soon as practicable to the Commission explaining the deterioration in performance and will commit to an accelerated action plan (including required financial expenditures) to cure the deterioration in performance. In such an event, PacifiCorp/ScottishPower will carry the burden of demonstrating the prudence of their management of the system and the associated recoverability of their expenditures.

22. Any amounts paid by the companies as a result of failure to meet their proposed service standards in Washington, excluding payments made directly to customers, shall be paid directly to a designated organization to benefit energy customers of PacifiCorp in Washington. Upon the assessment of any such amounts due, PacifiCorp/ScottishPower shall consult with Staff and Public Counsel to identify an appropriate organization, with an objective of maximizing the number of customers that will benefit. PacifiCorp/ScottishPower shall file with the Commission a proposal recommending a particular organization, and Staff, Public Counsel, and other parties shall be provided an opportunity to comment on such recommendation. The Parties shall file with the Commission the name of the proposed recipient for these funds as a compliance filing in this proceeding..

23. Until approved by the Commission in a separate proceeding upon the filing of an application, PacifiCorp shall maintain separate ratings for debt and, if outstanding, preferred stock.

24. On June 18, 1999, PacifiCorp/ScottishPower filed with the Commission and other jurisdictional state rate regulators a proposed methodology for the allocation of corporate and affiliate investments, expenses, and overheads and a statement of where each of the ScottishPower principal corporate departments will sit in the corporate

structure. This document constitutes a draft of what is to be filed regarding cost allocations with the Securities and Exchange Commission. No later than October 15, 1999, PacifiCorp/ScottishPower shall provide Commission Staff with a comparison of such proposed methodology with the methodology currently being applied by PacifiCorp with respect to allocation of corporate overheads. No later than October 15, 1999, PacifiCorp/ScottishPower shall schedule a conference/meeting with state and other interested regulators to discuss the proposed corporate and affiliate cost allocation methodology.

25. Within 30 days of receiving all necessary state, federal, and foreign regulatory approvals of the final corporate and affiliate cost allocation methodology, a written document setting forth the final corporate and affiliate cost methodology shall be submitted to the Commission. On an on-going basis, the Commission shall also be notified of anticipated or mandated changes to the corporate and affiliate cost allocation methodologies. Public Counsel reserves the right to contest the corporate and affiliate cost allocation methodologies in future rate proceedings. Staff also reserves the right to contest such methodologies in future rate proceedings except to the extent that it has agreed to any such methodologies with PacifiCorp/ScottishPower in connection with Condition 24.

26. PacifiCorp and ScottishPower shall advocate before the Securities and Exchange Commission, shareholders, and other jurisdictions, a corporate structure that contains a holding company as a parent and does not include a new separate entity to provide corporate services, consistent with the Amended and Restated Merger Agreement. If a change in the proposed corporate structure as reflected in the Amended and Restated Merger Agreement, including the current PacifiCorp corporate structure, (i) is mandated in merger-related proceedings by a jurisdictional regulatory body other than Washington or shareholders or (ii) becomes advisable in the future, PacifiCorp/ScottishPower shall so advise Staff and Public Counsel in writing, within 30 days, along with the perceived or anticipated associated changes to allocations or other matters that may be required by the changed corporate structure.

27. Any diversified holding and investments (e.g., non-utility business or foreign utilities) of ScottishPower and PacifiCorp following approval of the merger shall be held in separate company(ies) other than PacifiCorp, the entity for utility operations. Ring fence provisions (i.e., measures providing for separate financial and accounting treatment) shall be provided for each of these diversified activities, including but not limited to provisions protecting the regulated utility from the liabilities or financial distress of ScottishPower. This condition shall not prohibit the holding of diversified businesses and investments by affiliates of PacifiCorp, such as PacifiCorp Group Holdings Company.

28. PacifiCorp shall not, without the approval of the Commission, assume any obligation or liability as guarantor, endorser, surety or otherwise for ScottishPower or its affiliates provided that this condition shall not prevent PacifiCorp from assuming any

obligation or liability on behalf of a subsidiary of PacifiCorp. ScottishPower shall not pledge any of the assets of the regulated business of PacifiCorp as backing for any securities which ScottishPower or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue.

29. The existing loan agreement between PacifiCorp and its affiliates will continue to govern loans between PacifiCorp and its affiliates.

30. PacifiCorp/ScottishPower shall notify the Commission subsequent to ScottishPower's board approval and as soon as practicable following: (a) any public announcement of any acquisitions of a regulated or unregulated business representing 5% or more of the market capitalization of ScottishPower or entering into a new business venture or expansion of an existing one, or (b) the change in effective control or acquisition of any material part or all of PacifiCorp by any other firm, whether by merger, combination, stock or asset transfer. Nothing in this Stipulation shall relieve PacifiCorp/ScottishPower of the obligation to comply with the provisions of Chapter 80.12 RCW and applicable rules and regulations thereunder.

31. With respect to the ratemaking treatment of affiliate transactions, PacifiCorp/ScottishPower shall comply with the Commission's then-existing practice. In accordance with current practice, PacifiCorp/ScottishPower shall not contest the Commission applying the more advantageous of cost or market pricing standard, where a market for goods or services or assets exists.

32. PacifiCorp/ScottishPower agree not to cross-subsidize between the regulated and non-regulated businesses or between any regulated businesses, and shall comply with the Commission's then-existing practice with respect to such matters.

33. In the event any other state Commission or its Staff undertakes an audit of cost allocations and affiliated transactions between the utility and non-regulated businesses, PacifiCorp/ScottishPower will provide Staff and Public Counsel with a copy of any report or document resulting from such audit.

34. PacifiCorp/ScottishPower agree to provide Staff and Public Counsel access to books and records (including those of the parent or affiliate companies) required to be accessed to verify or examine transactions affecting PacifiCorp's regulated utility operations and such books and records shall be provided at a location within Pacific Power's service territory (as of July 31, 1999) in English. PacifiCorp/ScottishPower will provide conversions to United States dollars as appropriate. Administratively, requests for such books and records made by the Commission, its Staff or Public Counsel shall be deemed presumptively valid, material and relevant. PacifiCorp/ScottishPower reserve the right to challenge any such request before the Commission and shall have the burden of demonstrating that any such request is not valid, material or relevant.

35. PacifiCorp/ScottishPower shall maintain the necessary books and records so as to provide an audit trail for all corporate or affiliate transactions that impact the PacifiCorp regulated utility operations.

36. PacifiCorp/ScottishPower shall not assert in any future Washington proceeding that the provisions of the Public Utility Holding Company Act of 1935 or the related Ohio Power v FERC case preempt the Commission's jurisdiction over affiliated interest transactions and will explicitly waive any such defense in those proceedings. In the event that PUHCA is repealed or modified, PacifiCorp/ScottishPower agree not to seek any preemption under any subsequent modification or repeal of PUHCA.

37. On an annual basis on or before July 1st of each year, PacifiCorp shall file an affiliate transactions report which includes the following: an organizational chart showing the parent company and all subsidiaries; a narrative description of each affiliate with which PacifiCorp does business; the revenue for each affiliated entity with which PacifiCorp does business; a report of transactions between each affiliate and PacifiCorp; and a description of any intercompany loans. Reports filed by PacifiCorp/ScottishPower pursuant to the Commission's regulations may be used, to the extent applicable, to fulfill these requirements. Additionally, PacifiCorp/ScottishPower shall not assert in any Washington proceeding preemption by a United Kingdom or other foreign regulator over cost allocations or affiliate interest transactions.

38. In the event that PacifiCorp/ScottishPower do not comply with any or all of the conditions in this stipulation, Staff and Public Counsel will propose appropriate ratemaking adjustments to give full effect to these conditions. PacifiCorp/ScottishPower do not contest the Commission's authority to disallow, for retail ratemaking purposes, unsupported, unreasonable, or misallocated costs from nonregulated or affiliate business to PacifiCorp/ScottishPower.

39. Nothing in this Stipulation shall preclude the Commission from participating in related proceedings before the Federal Energy Regulatory Commission or the United States Securities and Exchange Commission.

40. Nothing in this Stipulation affects the ability of PacifiCorp/ScottishPower to request confidential treatment of information or documents they believe to be valuable commercial information within the meaning of RCW 80.04.095 when such information or documents are filed with the Commission or Commission Staff, or made available to them or their agents, in compliance with these conditions. Any request for confidential treatment will be handled as provided in Chapter 480-09 WAC of the Commission's Rules of Practice and Procedure and in accordance with Chapter 42.17 RCW and RCW 80.04.095. This provision has no affect on the ability of Staff or any other person to challenge the claim of confidentiality as to any document filed by the company or made available to Staff.

GENERAL TERMS AND CONDITIONS

41. PacifiCorp, ScottishPower, Staff and Public Counsel agree that this Stipulation represents a resolution of the issues between them. As such, all discussions, evidence or conduct relating to this Stipulation are privileged and confidential.

42. Staff and Public Counsel recommend that the transaction be approved subject to the conditions set forth in this Stipulation and, in the case of Public Counsel, subject to the further conditions set forth in the separate Stipulation and Settlement of Issues Related to Low-Income Customers. The Parties agree that no further conditions are necessary for the Commission to find that the transaction is in the public interest.

43. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall support adoption of the Stipulation in proceedings before the Commission. Each Party shall make available at hearing a witness in support of the Stipulation, at which time other parties to the proceeding would have an opportunity to cross-examine such witnesses on the Stipulation and their prefiled testimony. In the event the Commission rejects all or any material portion of this Stipulation or imposes additional, material conditions in approving the Application, each Party reserves the right to withdraw from the Stipulation. In such case, no Party to this Stipulation shall be bound or prejudiced by the terms of this Stipulation and each Party shall be entitled to seek reconsideration of the Commission Order, file any testimony it chooses, to cross-examine witnesses and in general to put on such case as it deems appropriate.

44. PacifiCorp, ScottishPower, Staff and Public Counsel agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

45. No Party shall be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation, and no Party shall be deemed to have agreed that any method, theory or principle of regulation employed in arriving at this Stipulation is appropriate for resolving any issue in any other proceeding. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

46. The obligations of PacifiCorp/ScottishPower under this Stipulation are subject to the closing of the merger transaction between ScottishPower and PacifiCorp.

Dated: August 13, 1999

**Staff, Washington Utilities and
Transportation Commission**

PacifiCorp

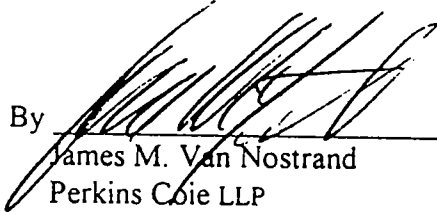
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Scottish Power plc

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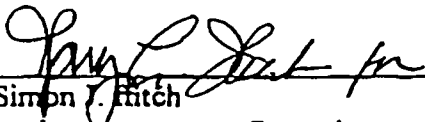
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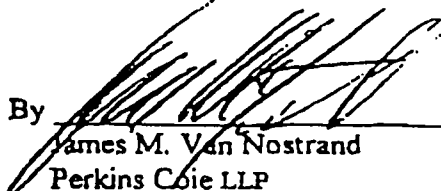
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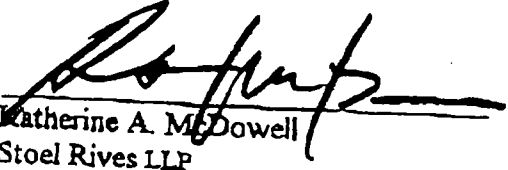
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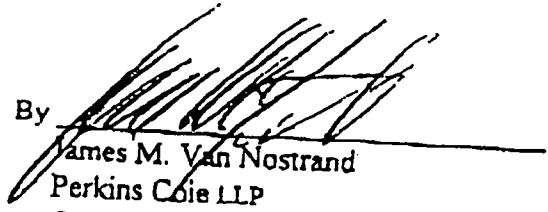
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**SCOTTISHPOWER'S COMMITMENTS TO WASHINGTON
CUSTOMERS CONTAINED IN DIRECT AND REBUTTAL
TESTIMONY NOT OTHERWISE COVERED BY STIPULATION**

I. CUSTOMER SERVICE

A. Network Performance

1. System Availability. On the five-year anniversary of the completion of the transaction,¹ the underlying System Average Interruption Duration Index (SAIDI) for PacifiCorp customers in the State of Washington will have been reduced by 10%.
2. System Reliability. On the five-year anniversary of the completion of the transaction, the underlying System Average Interruption Frequency Index (SAIFI) for PacifiCorp customers in the State of Washington will have been reduced by 10%.
3. Momentary Interruptions. On the five-year anniversary of the completion of the transaction, the Momentary Average Interruption Frequency Index (MAIFI) for PacifiCorp customers in the State of Washington will have been reduced by 5%.
4. Worst Performing Circuits. The 5 worst performing circuits in the State of Washington will be selected annually on the basis of the Circuit Performance Indicator (CPI),² as calculated over a three-year average excluding extreme events. Corrective measures will be taken within 2 years of implementation of the performance targets to reduce the CPI by 20%. (Condition 20 of the Stipulation among Applicants, Staff and Public Counsel adds additional detail to this commitment.)
5. Supply Restoration. For power outages because of a fault or damage on PacifiCorp's system, PacifiCorp will restore supplies on average to 80% of Washington State customers within 3 hours.

¹ Reference to "completion of the transaction" throughout this document means the closing of the transaction pursuant to the Amended Merger Agreement.

² The CPI is a weighted, composite index based on the following four factors: (1) MAIFI; (2) SAIDI; (3) SAIFI; and (4) Number of lockouts.

6. Penalties. For each of the standards not achieved in the State of Washington at the end of the five-year period, ScottishPower will pay a financial penalty equal to \$1.00 for every customer served by PacifiCorp in Washington.

7. Implementation. Specific terms and conditions relating to the implementation of the Network Performance Standards are set forth in Exhibit 1.

B. Customer Service Performance

1. Telephone Service Levels. Within 120 days after completion of the transaction, 80% of calls to PacifiCorp's Business Centers will be answered within 30 seconds. This target will be increased to 80% in 20 seconds by January 1, 2001 and 80% in 10 seconds by January 1, 2002.

2. Complaint Resolution.

a. Non-Disconnect Complaints. See Condition 12 of the Stipulation among Applicants, Staff and Public Counsel.

b. Disconnect Complaints. Within 90 days after completion of the transaction, complaints related to service disconnection will be responded to within 4 business hours.³

c. Commission Complaints. Within 90 days after completion of the transaction, ninety percent of complaints referred to PacifiCorp by the Commission will be resolved within 30 days. This percentage will be increased to 95 percent by 2001.

3. Implementation. Specific terms and conditions relating to the implementation of the Customer Service Performance Standards are set forth in Exhibit 1.

C. Customer Service Guarantees

1. Restoring the Customer's Supply.

a. Guarantee. If the customer loses electricity supply because of a fault in PacifiCorp's system, PacifiCorp will restore the customer's supply as soon as possible.

³ Business hours are defined as 8:00 a.m. to 5:00 p.m.

b. Penalty. If power is not restored in 24 hours, customers can claim \$50 for residential customers and \$100 for commercial and industrial customers. For each extra period of 12 hours the customer's supply has not been activated, the customer can claim \$25.

2. Appointments.

a. Guarantee. PacifiCorp will keep all mutually agreed appointments with the customer, whether over the phone or in writing. Beginning in the year 2001, PacifiCorp will offer the customer a morning appointment, between 8 AM and 1 PM, or an afternoon appointment, between 12 Noon and 5 PM.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.

3. Switching On the Customer's Power.

a. Guarantee. Upon customer request, PacifiCorp will activate the power supply within 24 hours provided no construction is required and all government requirements are met.

b. Penalty. If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50. In addition, for each extra period of 12 hours the customer's power supply has not been activated, PacifiCorp will automatically pay-out \$25 to the customer.

4. Estimates for Providing a New Supply.

a. Guarantee. Upon request by a customer for new power supply, PacifiCorp will call the customer back within 2 business days of the customer's initial call and schedule a mutually agreed appointment with an estimator. If PacifiCorp needs to change its network, it will provide a written estimate to the customer within 15 business days of the customer's initial meeting with the estimator. If PacifiCorp does not need to change its network, it will provide an estimate to the customer within 5 business days of the customer's initial meeting with the estimator.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

5. Response to Bill Inquiry.

a. Guarantee. PacifiCorp will investigate and respond within 15 business days of a customer's inquiry about its electric bill.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

6. Problems with the Customer's Meter.

a. Guarantee. PacifiCorp will investigate and report back to the customer within 15 business days if the customer suspects a problem with its meter.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

7. Planned Interruptions.

a. Guarantee. PacifiCorp will give the customer at least 2 days notice if it is necessary to turn the customer's power supply off for planned maintenance work or testing.

b. Penalty. If PacifiCorp fails to meet its guarantee, customers can claim \$50 for residential customers and \$100 for commercial and industrial customers.

8. Power Quality Complaints.

a. Guarantee. Upon notification from a customer about a problem with the quality of electric supply, PacifiCorp will either initiate an investigation within 7 days or explain the problem in writing within 5 business days.

b. Penalty. If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50.

9. Implementation. Payments to customers for nonperformance of these Customer Service Guarantees will be made through a credit on the customer's bill. Specific terms and conditions relating to the implementation of the Customer Service Guarantees are set forth in Exhibit 2. Data calculations to measure performance will be audited by the company and an outside auditor.

10. Reporting.

a. To Customers. PacifiCorp will issue a report to the customer by June 30 of each year regarding its record in improving Performance Standards and how well it has performed against its Customer Guarantees. Each report will contain an overview of standards, targets and guarantees and describe the performance results

for that year. The report will also discuss any new targets PacifiCorp will be applying in the coming year.

b. To Commission. PacifiCorp will provide an annual report to the Commission by May 31 of each year that will discuss implementation of ScottishPower's programs and procedures for providing improved performance. This report is in addition to the reports referenced in Conditions 18 and 19 of the Stipulation between Applicants, Staff and Public Counsel. The report will provide a general summary of how PacifiCorp performed according to the standards, targets and guarantees. The report will: (i) provide performance results for each standard, target or guarantee; (ii) identify excluded exceptions; (iii) explain any historical and anticipated trends and events that affected or will affect the measure in the future; (iv) describe any technological advancements in data collection that will significantly change any performance indicator; (v) discuss any "phase in" of new standards, targets or guarantees; and (vi) include the name and telephone numbers of contacts at PacifiCorp to whom inquiries should be addressed. Data calculations to measure performance will be audited by the company and an outside auditor. If the company is not meeting a standard, target or guarantee, the report will: (i) provide an analysis of relevant patterns and trends; (ii) describe the cause or causes of the unacceptable performance; (iii) describe the corrective measures undertaken by the company; (iv) set a target date for completion of the corrective measures; and (v) provide details of any penalty payments due. ScottishPower will seek ISO 9002 or ANSI accreditation for PacifiCorp's program to offer Customer Guarantees.

II. REGULATORY OVERSIGHT & COST SAVINGS

A. Access to Books and Records

1. PacifiCorp will maintain its own accounting system, separate from ScottishPower's accounting system. Remaining commitments on access to books and records and regulatory oversight are set forth in the Stipulation among Applicants, Staff and Public Counsel.

B. Cost Savings

1. ScottishPower will not count savings from PacifiCorp's \$30 million Refocus Program as merger-related cost savings.

III. COMMITMENT TO THE ENVIRONMENT

A. Renewable Resources

1. PacifiCorp will develop an additional 50 MW of renewable resources (wind, solar and/or geothermal) at an anticipated cost of approximately \$60 million within five years after completion of the transaction. (Condition 3 of the Stipulation among Applicants, Staff and Public Counsel also relates to this commitment.) PacifiCorp will also move forward with the required studies necessary to evaluate the expansion of its Blundell geothermal project.

2. Within 60 days after completion of the transaction, PacifiCorp will file applications in each state for a "green resource" tariff.

3. PacifiCorp will contribute \$100,000 to the Bonneville Environmental Foundation for use in the development of new renewable resources and fish mitigation projects.

B. Environmental Management

1. PacifiCorp will have environmental management systems in place that are self-certified to ISO 14001 standards at all PacifiCorp operated thermal generation by the end of 2000.

2. ScottishPower will include PacifiCorp operations in ScottishPower's comprehensive annual environmental report with appropriate specific goals.

3. ScottishPower will include a PacifiCorp officer on the Environmental Policy Advisory Committee.

4. ScottishPower will develop a process to gather outside input on environmental matters, such as the establishment of an Environmental Forum.

IV. COMMITMENT TO COMMUNITIES

A. Financial Contribution

1. ScottishPower will contribute \$5 million to the PacifiCorp Foundation upon completion of the transaction.

2. ScottishPower will maintain the existing level of PacifiCorp's other community-related contributions, both in terms of monetary and in-kind contributions.

B. Programs

1. ScottishPower will develop, in consultation with the appropriate Washington state educational authorities and the local business community, a "School to Work" initiative. Skill development opportunities will be made available through the Open Learning Centers, work experience mentoring, and work shadowing.

2. ScottishPower will maintain the existing Regional Advisory Boards.

C. Low-Income Customers

Commitments are set forth in Stipulation and Settlement of Issues Related to Low-Income Customers.

V. COMMITMENT TO EMPLOYEES

A. Existing Labor Agreements

1. ScottishPower will honor existing labor contracts with all levels of staff.

B. New Programs

1. ScottishPower will introduce the following programs in the PacifiCorp service territory, upon completion of the transaction, at a start-up cost of approximately \$3 million and estimated annual expenditures of approximately \$1 million:

a. ScottishPower will develop one "best-in-class" training center in each of Oregon and Utah. These centers will provide employees with opportunities to improve their work-related skills.

b. ScottishPower will phase in the introduction of the ScottishPower Open Learning centers. At these Open Learning centers, employees will be able to supplement their work-related skills with other skills designed to enhance their overall knowledge.

c. ScottishPower will establish partnerships with local colleges and universities to develop management training programs.

C. Occupational Health

1. ScottishPower will examine the appropriateness of introducing for PacifiCorp employees its successful programs already adopted in the U.K. to encourage a healthy lifestyle for employees.

VI. OTHER COMMITMENTS

A. Local Presence

1. ScottishPower intends to establish its U.S. headquarters at PacifiCorp's corporate office in Portland, Oregon.

2. Managerial control for day-to-day operations of PacifiCorp's western U.S. businesses will remain in Portland, Oregon.

[BA992420.084]

Performance Standards

Standard	Clarification
System Availability (SAIDI)	SAIDI will exclude extreme events (storms). This allows measurement of the underlying performance of the asset base.
System Reliability (SAIFI)	SAIFI will exclude extreme events
Momentary Interruptions (MAIFI)	MAIFI will exclude extreme events
Worst Performing Circuits	CPI will exclude extreme events. It will also exclude instances where the company is delayed due to the company's inability to obtain the appropriate planning consents.
Supply Restoration	Restoration time will exclude extreme events. It will also exclude situations where a customer agrees to remain without power or where PacifiCorp is unable to restore supply due to problems with the customer's facility, or where PacifiCorp does not have access.
Telephone Service Levels	Telephone service levels will be defined as percent of calls answer within targeted time frame. Telephone service levels will be measured from the time the customer selects a menu option and is placed in queue until a CSE or interactive voice response (IVR) unit answers the call.
Commission Complaint Resolution	The company may request an extension of time to respond to a complaint, which may be granted by Commission Staff. Business days are defined as Monday through Friday excluding company holidays. Business hours are defined as 8:00 a.m. to 5:00 p.m.

Customer Guarantees

Standard	Clarification
Restoring Your Supply	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) There are safety-related issues, 4) Customer has agreed to remain without power, or 5) Problems exist with the customer's facility.
Appointments	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) Major system outages, 4) Customer is out when PacifiCorp calls, 5) Customer cancels the appointment, or 6) PacifiCorp cancels the appointment and provides you with at least 24 hours notice.
Switching on the Customer's Power	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) Major system outages, 4) Customer is out when PacifiCorp calls, or 5) There are safety-related issues.
Estimates for Providing a New Supply	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) Major system outages, 4) Customer is out when PacifiCorp calls, 5) Customer cancels the appointment, 6) PacifiCorp cancels the appointment and provides you with at least 24 hours notice, or 7) Customer has not supplied all the necessary information so PacifiCorp can provide the estimate.
Response to Bill Inquiry	Working days are defined as Monday through Friday excluding company holidays.
Problems with Your Meter	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) PacifiCorp personnel do not have access to the customer's meter, 4) Meter tests shall be limited to no more frequently than once every 12 months.
Planned Interruptions	Guarantee does not apply if any one of the following occur: 1) Extreme events, 2) Strikes, 3) Major system outages, or 4) There are safety-related issues.
Power Quality Complaints	Working days are defined as Monday through Friday excluding company holidays.

ATTACHMENT B

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)	
PacifiCorp and Scottish Power plc for an)	Docket No. UE-981627
Order Approving the Issuance of)	Stipulation and Settlement of Issues Related
PacifiCorp Common Stock)	to Low-Income Customers

This Stipulation ("Stipulation") is entered into among Scottish Power plc ("ScottishPower"), PacifiCorp ("PacifiCorp"), Public Counsel, the Energy Project and Northwest Energy Coalition (NVEC) (together, the "Parties"). The purpose of this Stipulation is to resolve all issues in this Docket relating to the impact of the merger of ScottishPower plc and PacifiCorp on low-income customers. ScottishPower and PacifiCorp have publicly committed to funding certain kinds of programs on a system-wide basis, as set out in direct testimony of Mr. Jack Kelly filed on April 23, 1999. In this Stipulation, ScottishPower and PacifiCorp agree to actions specifically applicable to the Washington jurisdiction in respect of those testimony commitments, as a negotiated resolution of issues between the Parties.

1. **Terms of Stipulation**

The terms and conditions of this Stipulation are set forth below. Upon acceptance of these terms and conditions the Parties will, as soon as possible within the procedural limits of this Docket, notify the Washington Utilities and Transportation Commission ("Commission") that the Parties agree that the low income commitments in this Stipulation are beneficial to PacifiCorp's Washington customers and that the proposed merger is in the public interest in respect of these matters. The Parties will support this agreement throughout this Docket.

2. Low Income Programs

ScottishPower/ PacifiCorp are committed to working with the appropriate partners to identify and implement innovative, cost-effective programs that provide sustained benefit to low income customers through decreasing energy usage and improving their ability to pay current and past electric bills.

To this end, ScottishPower/ PacifiCorp, will work with the Public Counsel, the Energy Project, NWECC, and other stakeholders to implement programs that incorporate a range of measures including:

- Energy Efficiency Advice
- Budget management & Debt Counseling
- Implementation of energy efficiency measures
- Bill payment assistance

The objective of ScottishPower/PacifiCorp is to deliver real benefit (i.e. reducing the energy used; increasing comfort; lowering the total cost of energy and/or reducing debt burden) to low income and other vulnerable customers by accomplishing the following to the extent practicable:

- Helping to stimulate the provision of cost-effective programs.
- Identifying the objectives of each program and how achievement of objectives can be measured
- Identifying the customer groups who will benefit from each individual program.
- Identifying possible sources of funding which can provide additional leverage.
- Identifying the most effective method of funding, managing and delivering each program.

- Establishing pilot projects to prove the effectiveness of appropriate programs where relevant experience with similar programs is insufficient to justify proceeding with full implementation.
- Identifying the data required to confirm the effectiveness of pilot programs and whether they should be rolled out.

The Parties agree to collaboratively identify and develop mutually satisfactory programs which improve the energy efficiency and address bill payment problems of their low income customers. ScottishPower/PacifiCorp shall make available \$300,000 per annum of shareholder funds for the implementation of bill payment assistance and energy efficiency programs that have been identified, developed and financially structured to ensure they are cost-effective and meet all regulatory and business requirements. This commitment of additional funding shall continue in Washington for three years after approval of the merger. By the end of this 3 year period the funding and programs shall have been reviewed by the Parties. Included in the review will be an analysis of the actual expenditure in each of the 3 years, identifying actual levels of underspend or overspend. This analysis will form an important factor when deciding the appropriate level of funding going forward. All parties will use their reasonable endeavors to work together and identify appropriate programs for this funding as set out in this paragraph. The Parties agree to support ScottishPower/PacifiCorp filings of said programs before the Commission to recover through rates, any program costs that are recoverable under Commission rules and Washington law. Recoverable costs shall be in addition to shareholder funds committed to these programs.

The Parties will seek to begin implementation of suitable programs within 6 months of the completion of the merger.

3. Low Income Weatherization and Energy Efficiency

In addition to resources identified in Section 2, ScottishPower/PacifiCorp shall maintain the PacifiCorp Washington Low Income Weatherization annual budget at least at the 1999 level of \$560,000 for a 3 year period following closure of the merger.

Scottish Power/ PacifiCorp will file with the Commission, within 60 days after the closing of the merger, a revised tariff schedule that eliminates the \$1350 funding cap for weatherization measures determined to be cost effective by a Department of Energy (DOE) approved weatherization audit.

Working with the other Parties, ScottishPower/ PacifiCorp will seek to maximize the effectiveness of the low-income weatherization and energy efficiency programs and the benefits realized by qualifying households. In reviewing PacifiCorp's current Washington Low Income Weatherization offering, the following will be considered:

- 1) Effective utilization of federal, state or other matching funds.
- 2) Maximization of the number of PacifiCorp service territory low-income homes fully weatherized.
- 3) Changes in weatherization technologies and/or historical weatherization measures installed.
- 4) Cost effectiveness criteria required for Commission approval.
- 5) The filing of a system benefit charge tariff.
- 6) The removal of the requirement for a dollar for dollar match with non-utility funds on a per-unit basis.

4. **General Terms and Conditions**

a. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, evidence or conduct or statements made in the negotiation and discussion phases of this Stipulation shall not be admissible as evidence in any proceeding before the Commission or a court. All negotiations relating to this Stipulation are privileged and confidential.

b. The Parties have negotiated this Stipulation as an integrated document. Accordingly, the parties recommend that the Commission adopt the Stipulation in its entirety.

c. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall support adoption of the Stipulation in prefiled testimony submitted in this proceeding. If a hearing is scheduled for presentation of the Stipulation, each Party (other than The Energy Project) shall make available a witness in support of the Stipulation, at which time other parties to the proceeding would have an opportunity to cross-examine such witness. In the event the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving the Application, each Party reserves the right, upon written notice to the Commission and all parties to the proceeding within 15 days of the date of the Commission's Order, to withdraw from this Stipulation. In such case, no Party to this Stipulation shall be bound or prejudiced by the terms of this Stipulation and each Party shall be entitled to seek reconsideration of the Commission Order, file any testimony it chooses, to cross-examine witnesses and in general to put on such case as it deems appropriate.

d. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

e. No Party shall be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation, and no Party shall be deemed to have agreed that any method, theory or principle of regulation employed in arriving at this Stipulation is appropriate for resolving any issue in any other proceeding. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

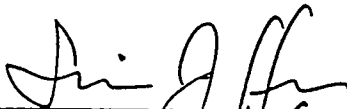
f. The obligations of Scottish Power/PacifiCorp under this Stipulation are subject to the Commission's approval of the Application in this Docket on terms and conditions acceptable to ScottishPower and PacifiCorp, in their sole discretion, and the closing of the merger transaction between ScottishPower and PacifiCorp.

g. The Parties agree that with respect to the issues covered herein, this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable. The Parties agree that this Stipulation does not represent agreement by the Parties that the entire merger transaction is in the public interest. Furthermore, the Parties agree that this Stipulation does not constitute an endorsement of the merger.

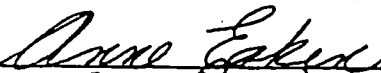
h. ScottishPower/PacifiCorp will not initiate any press releases regarding this Stipulation without consulting with the Parties on the language but reserve the right to include this Stipulation in testimony, respond to inquiries regarding this Stipulation from the press and others, report this Stipulation to other regulatory agencies and provide copies of this Stipulation to third parties on request.

Dated: August 11, 1999


**Washington Attorney General's Office –
Public Counsel**

By: 
Its: Asst. Atty General


PacifiCorp

By: 
Its: Vice President

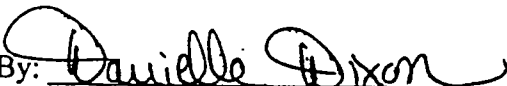
The Energy Project

By: 
Its: PROJECT MANAGER

Scottish Power plc

By: 
Its: Customer Relations Director

NW Energy Coalition

By: 
Its: Policy Associate