



June 3, 2003

Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: Carole Washburn
Executive Secretary

Re: Advice No. 03-006 – Compliance Filing in Docket No. UE-981627
ScottishPower/PacifiCorp Merger Commitments

Pursuant to WAC 480-09-340 and RCW 80.28.050 and -060, PacifiCorp (d.b.a., Pacific Power & Light Company) submits for filing an original and three (3) copies of the compliance filing made as required in the above docket.

The purpose of this filing is to submit to the Commission for approval the network performance baselines as discussed in Condition No. 10 of the Stipulation in the above docket whereby all parties recommended that the Commission approve the Application in this docket (subject to the conditions listed in the Stipulation). The Stipulation was accepted by the Commission in approving the merger in its Fifth Supplemental Order in this docket, issued on October 14, 1999. The network performance baselines proposed by the Company in this filing have been agreed to by the Company, the Commission Staff and Public Counsel.

Background

Condition No. 10 of the Stipulation indicated that the Company, Staff and Public Counsel would work together to establish the baselines related to specific network performance standards. The specific network standards are Performance Standard 1, which pertains to duration of outages, or System Average Interruption Duration Index (SAIDI), and Performance Standard 2, which pertains to frequency of outages, or System Average Interruption Frequency Index (SAIFI).

Key to establishing the baselines was the need to better document outages and the need to implement a new outage management system. Within the Stipulation, it was recognized that the planned system changes would capture outage minutes that had not been

previously captured. Therefore, a “baseline adjustment” process was introduced into witness testimony. Since the approval of the merger, substantial effort has been undertaken to improve the accuracy of the Company’s outage reporting process, to better track the customer reported outages compared to the outages reported in the Company’s outage reporting system, and to automate substantially the outage management process. Throughout this process, the Company has been communicating with Staff to determine the method and the appropriate baseline adjustment that will ensure meeting the merger commitment target reflective of the planned 10% improvement over the five-year measurement period as described in Performance Standards 1 and 2.

Baseline Agreement

The process of establishing the network performance baselines began with an initial Performance Report submitted to Commission Staff in December 1999. In that report, and during subsequent discussions between the parties, concerns were expressed about attempting to establish a baseline without actual history developed from Washington customer data. Thus, the parties developed a plan to establish baselines beginning after the third quarter of fiscal 2003 (January 31, 2003), with updates as the fiscal year was completed, and resolution by March 31, 2003.

The resolution that the Company, Staff and Public Counsel have reached will:

- Align the measurement period with the Company’s fiscal year;
- Establish a normalization approach; and
- Develop merger commitment targets.

These are discussed in turn below.

1. Alignment of Measurement Period with Company’s Fiscal Year

The Company will measure Performance Standards 1 and 2 on a fiscal year basis using the Company’s April 1 through March 31 fiscal year. The five-year merger commitment period ends March 31, 2005.

2. Establishment of Normalization Approach

Within the industry, there has been substantial effort to clearly define triggers that indicate an abnormal system event. This work has been guided through development by the Institute of Electrical and Electronic Engineers (IEEE) Working Group on System Design and is documented in Draft Standard P1366. This approach is embodied within the current draft standard and states:

3.1.16 Major Event. Designates a catastrophic event that exceeds reasonable design and or operational limits of the electric power system. (See section 4.4 of IEEE Draft Standard P1366 for more information.)

3.1.17 Major Event Day. A day in which the daily system SAIDI exceeds a threshold value, T_{MED} . For the purposes of calculating daily system SAIDI, any interruption that spans multiple calendar days is accrued to the day on which the interruption began. Statistically, days having a daily system SAIDI greater than T_{MED} are days on which the distribution system experienced stresses beyond that normally expected (such as severe weather). Activities that occur on major event days should be separately analyzed and reported. (See section 4.4 of IEEE Draft Standard P1366 for more information.).

Identifying abnormal events allows the parties to evaluate and examine those events. On an annual basis, the Company will submit to Staff and Public Counsel Rolling Five-Year Threshold Levels for Daily SAIDI and Daily Customer Minutes Lost for Washington from which the parties will be able to segment unusual events. The remaining underlying performance will then be tested for adherence to the improvement agreed to in Docket No. UE-981627.

3. Merger Commitment Targets

The baseline uplift with normalization discussed above results in a proposed SAIDI baseline of 150 minutes and a proposed SAIFI baseline of 1.061 events (excluding Major Events). Achieving 10% reductions, in turn, produces targets of 138 minutes and 0.975 events, respectively, to be achieved by March 31, 2005. The parties agree that achievement of these targets will provide reliability improvements to customers that meet the merger commitment goal of 10% improvement over a five-year period.

The Company respectfully requests that the Commission approve the network performance baselines and targets proposed in this filing as fulfilling the requirements of the Stipulation. In order to allow Staff and Public Counsel an opportunity to provide their comments on this filing, and to permit other parties to the merger proceeding to have an opportunity to express their views to the Commission, it may be appropriate to present this proposal at an open meeting of the Commission. Given that parties to the merger will receive a copy of this compliance filing contemporaneously with its filing with the Commission, the July 9 open meeting likely allows sufficient time for informed participation by any other interested parties.

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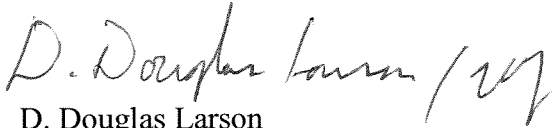
Also, it is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to the following:

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

By regular mail: Data Request Response Center
 PacifiCorp
 825 NE Multnomah, Suite 800
 Portland, OR 97232

Please direct any informal questions to Heidemarie Caswell at 503-813-6216.

Sincerely,

A handwritten signature in cursive script that reads "D. Douglas Larson" followed by a stylized flourish.

D. Douglas Larson
Vice President, Regulation

cc: Service List in Docket No. UE-981627

CERTIFICATE OF SERVICE

Docket No. UE-981627

I hereby certify that I have this day provided the ScottishPower/PacifiCorp Merger Commitments Compliance Filing to the following parties via US Mail.

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Dated this 2nd day of June, 2003.



Mark Tucker
Regulatory Filing Coordinator