

- (a) Identification of areas subject to exclusive service to existing and new customers by each Party;
- (b) Identification of areas of competition between the Parties for new customers;
- (c) Criteria for determining service to new customers in unassigned areas;
- (d) Terms for any exchange or transfer of facilities and/or customers from one Party to the other including any compensation for the transfer of facilities and/or customers; and
- (e) Provision of mutual assistance for response to emergencies.

(Interim Agreement, Paragraph 2.) The Interim Agreement provides that, contingent upon Commission approval of the Interim Agreement under section RCW 54.48.030 as a service territory agreement, negotiations will commence between the Parties in an effort to agree upon, execute and present for Commission consideration, a long-term service territory agreement. The Interim Agreement provides that during its term, each retail electric provider will not accept requests for service from any existing customer of the other Party, with the exception of one customer identified in paragraph 3 of the Interim Agreement. Because these particular terms constitute an agreement on service territory between two utilities, the Interim Agreement is being submitted to the Commission for approval under RCW 54.48.030. In the event the Commission does not approve the Interim Agreement, the agreement will have no force and effect.

According to the Interim Agreement, it becomes effective upon Commission approval, and terminates upon the earliest of (a) Commission approval of a long-term service territory agreement, (b) January 15, 2004, or (c) the effective date of a notice of termination given by one Party to the other under paragraph 10 of the Interim Agreement. (Interim Agreement, Paragraph 1.) Thus, the term will not exceed the twenty-five year limit set forth in RCW 54.48.030.

If negotiations are successful, the Parties will strive to complete their substantive work, analysis and negotiations and agree upon a long-term service territory agreement by January 15, 2004, which will thereupon be submitted for the Commission's consideration. Mr. Wallis will continue to participate as a mediator in these ongoing discussions and negotiations. In the event negotiations are unsuccessful, the Parties commit to promptly notify the Commission that such has occurred.

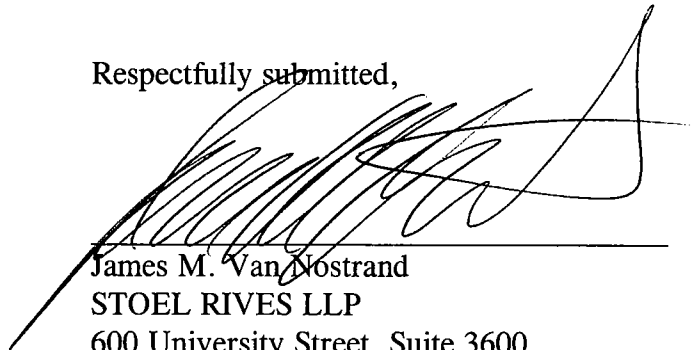
2. Relief Requested

PacifiCorp respectfully requests that the Commission issue an order:

- (a) Approving as in the public interest the PacifiCorp-CREA Memorandum of Understanding as an interim service territory agreement under the provisions of Chapter 54.48 RCW.
- (b) Granting such other relief as is deemed appropriate by the Commission.

DATED: September 22, 2003.

Respectfully submitted,



James M. Van Nostrand
STOEL RIVES LLP
600 University Street, Suite 3600
Seattle, WA 98101-3197
Telephone (206) 386-7665
Facsimile (206) 386-7500

Of Attorneys for PacifiCorp

Application Exhibit 1

**Memorandum of Understanding and Interim Service Territory Agreement
Between PacifiCorp and Columbia Rural Electric Association, Inc.**

Dated as of August 25, 2003

**Memorandum Of Understanding
And
Interim Service Territory Agreement**

Between

**Columbia Rural Electric Association, Inc.
And
PacifiCorp**

August 25, 2003

Columbia Rural Electric Association, Inc. ("CREA") and PacifiCorp (collectively, the "Parties") both provide distribution electrical service in Southeast Washington. The Parties agree that it is in the best public interest of the communities in Southeast Washington that are currently served by, or that may in the future be served by, either CREA or PacifiCorp, to study the practicality of reaching an agreement (the "Service Territory Agreement") to improve safety, service, reliability, and to reduce the duplication of distribution facilities. This Memorandum of Understanding and Interim Service Territory Agreement (the "Interim Agreement") provides the basis for the Parties' discussions regarding the Service Territory Agreement. The Parties have agreed to engage the services and oversight of Judge Robert Wallis from the Washington Utilities and Transportation Commission ("WUTC") as a mediator, in an effort to reach agreement on the Service Territory Agreement.

In consideration of the foregoing, the Parties agree as follows:

1. This Interim Agreement shall be effective upon execution by CREA and PacifiCorp and issuance of an order by the WUTC approving this Interim Agreement pursuant to RCW § 54.48.030. If the WUTC does not issue an order approving this Interim Agreement, this Interim Agreement shall have no force or effect. This Interim Agreement will be in effect from the effective date of WUTC approval until the earliest of: (a) WUTC approval of the Service Territory Agreement; (b) January 15, 2004; or (c) the effective date of a notice issued pursuant to paragraph 10 below. Notwithstanding the above, this Interim Agreement shall terminate immediately upon a material breach of this Interim Agreement by either Party.
2. The Parties have agreed to engage in good faith discussions to agree upon the terms of the Service Territory Agreement. The Parties agree to discuss potential agreement in the following areas:
 - a. Identification of areas subject to exclusive service to existing and new customers by each Party;
 - b. Identification of areas of competition between the Parties for new customers;
 - c. Criteria for determining service to new customers in unassigned areas;

- d. Terms for any exchange or transfer of facilities and/or customers from one Party to the other including any compensation for the transfer of facilities and/or customers; and
 - e. Provision of mutual assistance for response to emergencies.
3. The Parties agree that neither Party will accept requests for service from any existing customer of the other Party for the term of this Interim Agreement; provided, however, that this prohibition shall not apply to Columbia School District. Pursuant to the WUTC-approved net removal tariff, PacifiCorp agrees to facilitate the transfer of Columbia School District as soon as practicable, provided the Columbia School District no later than January 15, 2004 submits a request to PacifiCorp for disconnect and removal of facilities and submits a formal request to CREA to commence providing service.
4. Either Party may serve new customers in previously unserved areas.
5. PacifiCorp shall make any necessary filings with the WUTC to request approval of this Interim Agreement on a timely basis. CREA shall provide any assistance reasonably requested by PacifiCorp in connection with securing WUTC approval of this Interim Agreement.
6. Each Party shall be responsible for its own expenses in connection with this Interim Agreement, the negotiation of the Service Territory Agreement and any obligations set forth in paragraph 5 above.
7. During the term of this Interim Agreement, PacifiCorp agrees not to seek or promote any change in Washington statutes or rules directed at or relating to service territory allocation issues in dispute with CREA. Inquiries from legislators, members of the WUTC, legislative or executive branch staff, or other interested parties, regarding the status of matters in dispute between PacifiCorp and CREA (and any related activities associated with such responses) shall be referred to Robert Wallis. Mr. Wallis shall consult with the Parties and provide mutually agreeable responses to any such inquiries. PacifiCorp is not prohibited from working on legislative activities related to state action immunity as long as doing so has no adverse impact on this Memorandum of Understanding or Service Territory Agreement between these parties.
8. All discussions between the Parties in pursuit of the MOU and the Service Territory Agreement shall be held in strict confidence. Unless both Parties consent in writing, the work product and oral communications relating to or arising from discussion or negotiation of the Service Territory Agreement (including without limitation workpapers, maps, correspondence or similar materials) shall not be used in any future administrative, regulatory or legal proceeding. Any work product in existence prior to the negotiations for a Service Territory Agreement is not subject to this paragraph.

9. Neither Party is obligated to enter into the Service Territory Agreement nor any other agreement, and neither Party shall have any claim against the other in the event that the parties fail to execute the Service Territory Agreement. The Service Territory Agreement or any other future agreement between the Parties regarding service territory issues will be subject to the approval of the WUTC, and no agreement regarding service territory shall be binding absent such approval.
10. Either Party may terminate this Interim Agreement by giving 30 days' written notice to the other Party, if it concludes in good faith that the Parties are unlikely to reach agreement on the Service Territory Agreement.
11. In the event of a breach of this Interim Agreement and subsequent failure to resolve such dispute pursuant to informal attempts at dispute resolution, the aggrieved Party shall not be limited to bringing a cause of action for damages, but may also pursue extraordinary remedies including, but not limited to, injunctive relief. Under no circumstances shall either Party be liable for incidental, consequential, or punitive damages.
12. If any suit or action arising out of or related to a breach of this Interim Agreement is brought by any Party, the prevailing Party shall be entitled to recover the costs and fees (including, without limitation, reasonable attorneys' fees, the fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such Party in such suit or action, including, without limitation, any post-trial or appellate proceeding, or in the collection or enforcement of any judgment or award entered or made in such suit or action.
13. This Interim Agreement may be executed in counterparts including facsimile copies, each of which shall be deemed an original and all of which taken together shall constitute a single instrument.

PACIFICORP

M.R. Drigfil
Name
EVP, Power Delivery
Title
8/30/03
Dated

COLUMBIA REA

[Signature]
Name
CEO
Title
9/08/03
Dated