

**JOINT OPERATING AGREEMENT**

THIS JOINT OPERATING AGREEMENT is made and entered into as of this \_\_\_\_\_, 200\_\_, by and between MidAmerican Energy Company, an Iowa corporation (“MidAmerican”) and PacifiCorp, an Oregon corporation (“PacifiCorp”). The foregoing companies are referred to herein collectively as the “Parties” and individually as a “Party.”

WHEREAS, MidAmerican Energy Holdings Company (“MEHC”), the parent holding company of MidAmerican, and PacifiCorp Holdings, Inc. (“PHI”) and Scottish Power plc (“ScottishPower”) (PHI is the direct parent holding company of PacifiCorp and ScottishPower is the ultimate parent holding company of both PacifiCorp and PHI), have entered into a Stock Purchase Agreement dated May 23, 2005 (the “Stock Purchase Agreement”);

WHEREAS, pursuant to the terms and conditions of the Stock Purchase Agreement, MEHC will purchase all of the outstanding shares of common stock of PacifiCorp from PHI and MEHC will become the indirect, parent holding company of PacifiCorp (the “Transaction”);

WHEREAS, each of MidAmerican and PacifiCorp own and operate electric generation, transmission, and distribution facilities with which it is engaged in the business of generating, transmitting, and selling electric power and energy to retail and wholesale customers;

WHEREAS, each of MidAmerican and PacifiCorp will continue to own and operate their respective electric generation, transmission, and distribution facilities and conduct their respective businesses following the consummation of the Transaction;

WHEREAS, MidAmerican and PacifiCorp have arranged for Interconnection Transmission Service between their two systems;

WHEREAS, MidAmerican and PacifiCorp desire to enter into this Agreement to provide the contractual framework for coordinating transactions between the Parties for the purchase, sale, and/or exchange of energy, capacity or both on an economic basis; and

WHEREAS, MidAmerican and PacifiCorp also desire to enter into this Agreement to provide the framework for the Parties to work together to identify, evaluate and recommend opportunities to achieve efficiencies in the operation of each Parties' respective Generating Resources.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Parties mutually agree as follows:

## ARTICLE I

### DEFINITIONS

For the purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the following meanings. The meanings specified are applicable to both the singular and plural.

Section 1.1. "Agreement" means this Joint Operating Agreement, including all Service Schedules and attachments hereto, as it may be amended from time-to-time in accordance with Section 11.2.

Section 1.2. "Effective Date" has the meaning set forth in Section 2.1.

Section 1.3 "FERC" means the Federal Energy Regulatory Commission or any successor agency having jurisdiction over this Agreement.

Section 1.4. “Generating Resources” means the electric power generating facilities or capacity owned by, or under contract to, a Party for the primary purpose of meeting the capacity and energy needs of its Retail Customers and Wholesale Customers.

Section 1.5. “Industry Standards” means those principles, guides, criteria, standards, and practices referred to in Article X.

Section 1.6. “Interconnection Transmission Service” has the meaning set forth in the Service Schedule C to this Agreement.

Section 1.7. “Operating Committee” means the administrative body established pursuant to Article V for the purposes therein specified.

Section 1.8. “Party” or “Parties” has the respective meaning ascribed to it in the opening paragraph of this Agreement.

Section 1.9. “Retail Customer” for purposes of this Agreement means a retail electric customer on whose behalf a Party has undertaken an obligation to obtain Generating Resources so as to supply electricity to reliably meet the electric need of such customer.

Section 1.10. “Service Schedules” means the Service Schedules attached to this Agreement and those that later may be agreed to by the Parties from time to time in accordance with Section 11.2.

Section 1.11. “Transaction” has the meaning set forth in the Recitals to this Agreement.

Section 1.12. “Wholesale Customer” means a customer which a Party has undertaken, by contract, a firm obligation to provide capacity and associated energy or to serve with respect to such customer’s partial or full requirements and to acquire Generating Resources and other resources necessary to meet such requirements.

**ARTICLE II**

**TERM OF AGREEMENT**

Section 2.1. Term

Subject to Section 11.1, this Agreement shall take effect upon consummation of the Transaction (the “Effective Date”), and shall continue in full force and effect for a period of five (5) years from the Effective Date, continuing thereafter until terminated by mutual agreement or upon twelve (12) months’ written notice by one Party to the other Party.

Section 2.2. Periodic Review

This Agreement will be reviewed periodically by the Operating Committee to determine whether revisions are necessary or appropriate. Any revisions deemed necessary or appropriate shall be referred by the Operating Committee to the respective Parties for approval pursuant to Section 11.2.

**ARTICLE III**

**OBJECTIVES**

The purpose of this Agreement is to provide a contractual basis for conducting transactions between the Parties for the purchase, sale, and/or exchange of energy, capacity or both on an economic basis and to identify other means of achieving efficiencies in the operation of their Generating Resources consistent with the provision of reliable electric service.

**ARTICLE IV**

**SCOPE AND RELATIONSHIP TO OTHER AGREEMENTS AND SERVICES**

Section 4.1. Scope

This Agreement and the capacity and energy transactions governed by it are subject to, and may be limited from time to time by, applicable state and federal laws, and the regulations,

rules and orders of applicable regulatory agencies regarding the purchase, sale, and/or exchange of energy, capacity or both among affiliates. This Agreement is not intended to preclude the Parties from entering into other arrangements between themselves not contemplated herein.

Nothing in this Agreement requires either Party to enter into a transaction described in Article VI with the other Party; and each Party in its sole and absolute discretion shall determine whether or not to enter into any such transaction with the other Party.

Section 4.2. Transmission System Operations Excluded

This Agreement does not provide for the coordination, operation or management of the transmission facilities owned, operated or controlled by the two respective parties; and shall only apply to the coordination of the use of the Interconnection Transmission Service, and any Open Access Transmission Tariff transmission services that the Parties may purchase from time to time for the purpose of arranging transactions contemplated by the Service Schedules.

ARTICLE V

COMPOSITION AND DUTIES OF THE OPERATING COMMITTEE

Section 5.1. Operating Committee

The Operating Committee is the administrative body created to administer this Agreement and shall consist of members from MidAmerican and PacifiCorp. Each Party shall designate two (2) members from its respective company. Each member of the Operating Committee may designate an alternative representative to act on behalf of the member in the member's absence. At least one (1) member from each of MidAmerican and PacifiCorp is required to constitute a quorum of the Operating Committee.

Section 5.2. Meeting Dates

The Operating Committee shall hold meetings at such times, means and places as the members shall determine from time to time. Minutes of each Operating Committee meeting shall be prepared and maintained. Meetings may be held in person or telephonically. Actions by the Operating Committee may be undertaken by unanimous written consent, signed by all members of the Operating Committee.

Section 5.3. Decisions

All decisions of the Operating Committee shall be by unanimous vote of the members in attendance. The Operating Committee shall not conduct any business unless a quorum is present and voting. As necessary, recommendations will be made to the respective Presidents of each Party or such other officer(s) of each Party as may be appropriate. All decisions of the Operating Committee and all actions taken by a Party in connection with those decisions are subject to the normal governance and approval processes of each Party.

Section 5.4. Duties

The Operating Committee shall have the duties set forth in this Section. The Operating Committee will be responsible for:

- (a) identifying opportunities to structure capacity and energy transactions between the Parties to improve the economical and efficient operation of each Party;
- (b) defining and establishing protocols for transactions that may be undertaken pursuant to this Agreement, including without limitation procedures for utilizing the Interconnection Transmission Service in accordance with the terms and conditions of this Agreement;

(c) designating and appointing other committees to evaluate and recommend opportunities to reduce operating costs, increase efficiencies and reduce risks of the Parties' respective operations, including without limitation, opportunities that may be available in areas such as fuel procurement and transportation, Generating Resources operation and maintenance practices, and general procurement activity; and

(d) administering this Agreement and recommending any amendments hereto, including such amendments which could be proposed in response to a change in regulatory requirements applicable to one or both of the Parties.

## ARTICLE VI

### CAPACITY AND ENERGY TRANSACTIONS

#### Section 6.1. Capacity Sales and Exchanges

In the event a Party determines it has surplus capacity and associated energy relative to its capacity reserve requirements or otherwise has capacity available for sale or exchange and the other Party desires to acquire all or a part of such capacity, and the criteria set forth in this Agreement, including without limitation, Service Schedule A, have been met, the Parties may transact.

#### Section 6.2. Energy Sales and Exchanges

In the event a Party determines it has energy available for sale or exchange and the other Party has a desire to acquire all or a part of such available energy, and the criteria set forth in this Agreement, including without limitation, Service Schedule B, have been met, the Parties may transact.

#### Section 6.3. Duration of Capacity and Energy Transactions

Transactions for less than one year shall be arranged under Service Schedule A or Service Schedule B. The terms of transactions of longer duration shall be set out in separate agreements, which shall be subject to prior acceptance or approval by FERC to the extent then required by applicable rules or regulations.

**ARTICLE VII**

**SERVICE SCHEDULES**

**Section 7.1. Service Schedules**

The energy and capacity transactions described in Article VI shall be conducted in accordance with the terms of this Agreement, including without limitation the applicable Service Schedules. It is understood and agreed that from time to time the Parties may desire to reassess the terms of the Service Schedules which shall be done at the direction of the Operating Committee. Upon a recommendation of the Operating Committee and agreement between the Parties, any of the Service Schedules may be amended as of any date agreed to by the Parties in accordance with Section 11.2.

**Section 7.2 Documentation of Transactions**

Each transaction entered into pursuant to Article VI will be documented by issuing a confirmation setting out the details of the transaction. Each confirmation will be issued pursuant to and governed by the terms and conditions of the Master Power Purchase and Sale Agreement to be entered into by and between MidAmerican and PacifiCorp in the form attached to this Agreement as Exhibit A.

**ARTICLE VIII**

**DISPUTE RESOLUTION PROCEDURES**



All disputes between the Parties shall be resolved as provided in this paragraph, in lieu of the dispute resolution provisions of the Master Power Purchase and Sale Agreement. In the event of any such dispute, the Operating Committee shall meet and in good faith attempt to resolve such dispute within twenty (20) business days following notice by one Party to the other that a dispute under this Agreement exists. In the event the dispute cannot be resolved by the Operating Committee within such twenty (20) business day period, the Parties agree to submit the dispute to the Parties' respective Presidents (or each such President's appointed representative). The Party's respective Presidents (or such President's appointed representative) shall meet and in good faith attempt to resolve such dispute within twenty (20) business days following submittal of the dispute by the Operating Committee. If the respective Presidents (or their appointed representatives, as applicable) reach a decision regarding the dispute, such collective decision shall be binding on the Parties. In the event the dispute cannot be resolved by the Presidents (or such appointed representatives if applicable) within such further 20 business day period (or if the dispute has not been resolved within 50 business days from the date of the initial notice of a dispute provided by one Party to the other Party hereunder), then either Party may pursue such remedies as may be available to it in any court of competent jurisdiction, in accordance with the provisions of Section 10.6 of the Master Power Purchase and Sale Agreement.

ARTICLE IX

INDUSTRY STANDARDS

The Parties agree to conform to all applicable national and regional electric reliability council principles, guides, criteria, and standards and industry standard practices (collectively, “Industry Standards”) as they may affect the implementation of this Agreement.

ARTICLE X

GENERAL

Section 10.1. No Third Party Beneficiaries

This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or power supplier, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of the Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or power supplier, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

Section 10.2. Waivers

Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right.

Section 10.3. Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Party except to a successor in the operation of its properties by reason of a reorganization to comply with state or federal restructuring requirements, or a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

Section 10.4. Liability and Indemnification

In connection with any transactions entered into pursuant to Article VI, the indemnification provisions of the Master Power Purchase and Sale Agreement shall apply. For any other claims or liabilities that may arise under this Agreement, subject to any applicable state or federal law which may specifically restrict limitations on liability, each Party shall release, indemnify and hold harmless the other Party, its directors, officers and employees from and against any and all liability for loss, damage or expense alleged to arise from, or incidental to, injury to persons or damage to property in connection with its facilities or the production or transmission of electric energy by or through such facilities, or related to performance or non-performance of this Agreement, including any negligence arising hereunder. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

Section 10.5. Section Headings

The descriptive headings of the Articles and Sections of this Agreement are used for convenience only, and shall not modify or restrict any of the terms and provisions thereof.

Section 10.6 Notice

All notices hereunder or in connection herewith will be in writing and, if to MidAmerican, will be given to:

MidAmerican Energy Company  
4299 Northwest Urbandale Drive  
Urbandale, Iowa 50322  
Attention: Vice President, Energy Supply Management  
Facsimile No. (515) 281-2460

and, if to PacifiCorp, will be given to:

PacifiCorp  
825 N.E. Multnomah, Suite 2000  
Portland, Oregon 97232-4116  
Attention: Sr. Vice President of Commercial & Trading  
Facsimile No. (503) 813-6348

With a copy to:

PacifiCorp  
825 N.E. Multnomah, Suite 600  
Portland, Oregon 97232-4116  
Attention: Director of Contract Administration  
Facsimile No. (503) 813-6291

or such other address or addresses as any such Party may from time to time designate as to itself by like notice. Any such notice will be deemed to have been duly given when delivered in person or when dispatched by facsimile (confirmed in writing by mail simultaneously dispatched) or one (1) business day after having been dispatched by a nationally recognized overnight courier service to the appropriate Party at the address specified in this Section 10.6.

Section 10.7 Execution in Counterparts

This Agreement may be executed in two or more counterparts, which, taken together, shall be deemed a single agreement.

Section 10.8 Applicable Law.

This Agreement and the rights and duties of the Parties under it shall be governed by and construed, enforced and performed in accordance with the laws of the State of New York, without regards to principals of conflicts of law.

ARTICLE XI

REGULATORY APPROVAL

Section 11.1. Regulatory Authorization

This Agreement, and each amendment to or modification of it, is subject to and conditioned upon its approval or acceptance by all regulatory agencies having jurisdiction, and whose acceptance or approval is required by law including without limitation FERC. In the event that this Agreement is not so approved or accepted for filing in its entirety without modification acceptable to both Parties, or a regulatory agency having jurisdiction subsequently modifies this Agreement upon complaint or upon its own initiative, either Party may, irrespective of the notice provisions in Section 2.1, terminate this Agreement by giving notice to the other Party within thirty days of such failure to accept such subsequent modification.

Section 11.2. Changes

It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify, or supplement this Agreement, including the Service Schedules and the Master Power Purchase and Sale Agreement attached as Exhibit A that are a part of this Agreement, to reflect changes in operating practices, costs or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties and shall not become effective unless and until first approved or accepted in accordance with Section 11.1.

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Pacificorp  
Exhibit UP&L\_\_ (JJG-1) Page 14 of 18  
Docket No. 05-035\_\_  
Witness: Jeffery J. Gust

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by  
their duly authorized officers on the day and year first above written.

MIDAMERICAN ENERGY COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

PACIFICORP

By: \_\_\_\_\_

Title: \_\_\_\_\_

SERVICE SCHEDULE A

CAPACITY AND ASSOCIATED ENERGY SALES OR EXCHANGES

Term

This Service Schedule A shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the Term of the Agreement unless earlier terminated or suspended in accordance with the terms of the Agreement.

Availability of Service

This Service Schedule A shall apply to capacity and associated energy transactions for a duration of less than one (1) year.

Capacity and Associated Energy Price

The capacity price and associated energy price shall be submitted for FERC acceptance or approval prior to making a sale under this Service Schedule A.

Responsibility for Transmission Arrangements

The providing Party shall have the cost responsibility for any transmission arrangements, beyond any Interconnection Transmission Service arranged and paid for under Service Schedule C, up to and at the point of delivery of such capacity and associated energy. The receiving Party shall have cost responsibility for any transmission arrangements at and from the point of delivery, beyond any Interconnection Transmission Service arranged and paid for under Service Schedule C, necessary to receive such capacity and associated energy.

SERVICE SCHEDULE B

ENERGY SALES OR EXCHANGES

Term

This Service Schedule B shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the Term of the Agreement unless earlier terminated or suspended in accordance with the terms of the Agreement.

Availability of Service

This Service Schedule B shall apply to energy made available for Day Ahead and Same Day scheduling periods.

Energy Product

- a. Energy transactions in which PacifiCorp is Seller shall be the sale and delivery to the Delivery Point (as defined in the Master Power Purchase and Sale Agreement) by PacifiCorp, and the purchase and acceptance by MidAmerican at and from the Delivery Point of the designated quantity of Schedule C Firm Capacity/Energy Exchange Service, as defined in the Western System Power Pool Agreement, as the same may be in effect from time to time.
- b. Energy transactions in which MidAmerican is Seller shall be the sale and delivery to the Delivery Point (as defined in the Master Power Purchase and Sale Agreement) by MidAmerican, and the purchase and acceptance by PacifiCorp at and from the Delivery Point of the designated quantity of EEI System Firm, as defined in the Master Power Purchase and Sale Agreement.

Energy Price

Energy made available pursuant to this Service Schedule B shall be at the price determined in accordance with the following:

- a. Day-ahead transactions will be priced at the following delivery date market indices:
  - Energy delivered to MidAmerican from PacifiCorp –
    - For NERC defined heavy load hour products, during Q1 & Q4, the price is to be based on the Mid-Columbia Peak 10X Day Ahead Power Price Index, for Q2 & Q3, the price is to be based on the higher of the Mid-Columbia Peak or Palo Verde Peak 10X Day Ahead Power Price Index(s).
    - For NERC defined light load hour products, during Q1, Q2, and Q4, the price is to be based on the average Mid-Columbia Off-Peak and Palo Verde Off-Peak 10X Day Ahead Power Price Index(s). For Q3 the price is to be based on the Mid-Columbia Peak 10X Day Ahead Power Price Index.



; and

- Energy delivered to PacifiCorp from MidAmerican –
  - The price is to be based on the PJM Northern Illinois (NI Hub) Day Ahead Clearing Price

b. Same Day transactions will be priced at the following Same Day market indices.

- Energy delivered to MidAmerican from PacifiCorp –
  - For NERC defined heavy load hours, during Q1 & Q4, the hourly price(s) is to be based on the Mid-Columbia Powerdex Price Index, for Q2 & Q3, the price is to be based on the higher of the Mid-Columbia or Palo Verde Powerdex Price Index(s), for the hours of the transaction.
  - For NERC defined light load hours, during Q1, Q2, and Q4, the hourly price(s) is to be based on the average Mid-Columbia Off-Peak and Palo Verde Off-Peak Powerdex Price Index(s). For Q3 the price is to be based on the Mid-Columbia Powerdex Price Index, for the hours of the transaction.

; and

- Energy delivered to PacifiCorp from MidAmerican –
  - The price shall be the PJM Northern Illinois (NI Hub) Real Time Clearing Price for the hours of the transaction.

For purposes of this Service Schedule B, “Q1” means calendar months January through March; “Q2” means calendar months April through June; “Q3” means calendar months July through September; and “Q4” means calendar months October through December; “NERC” means the North America Electric Reliability Council or its successor; “Day Ahead” means transactions entered into on the prescheduling day occurring one or more days prior to delivery as defined by the scheduling authority in the reliability council region of the Selling Party; and “Same Day” means transactions entered into on the same day the power is delivered.

#### Responsibility for Transmission Arrangements

The providing Party shall have cost responsibility for any transmission arrangements, beyond any Interconnection Transmission Service arranged and paid for under Service Schedule C, up to and at the point of delivery of such energy. The receiving Party shall have cost responsibility for any transmission arrangements at and from the point of delivery, beyond any Interconnection Transmission Service arranged and paid for under Service Schedule C, necessary to take receipt of such energy.

SERVICE SCHEDULE C

ALLOCATION OF INTERCONNECTION TRANSMISSION SERVICE COSTS AND  
BENEFITS

Term

This Service Schedule C shall become effective and binding when the Agreement becomes effective, and shall continue in full force and effect throughout the Term of the Agreement unless earlier terminated or suspended in accordance with the terms of the Agreement.

Applicability

This Service Schedule C provides for the allocation of the costs and benefits of any transmission service acquired by either of the Parties in connection with the Transaction in order to interconnect the Parties' respective electric utility systems (collectively, the "Interconnection Transmission Service").

Cost/Benefit Allocation

The costs and benefits of Interconnection Transmission Service shall be shared as follows:

[ ] .