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August 22, 2003

98-2035-04

Chairman Ric Campbell
PUBLIC SERVICE COMMISSION OF UTAH
160 East 300 South
Salt Lake City, Utah 84145

Dear Chairman Campbell:

Transmitted herewith, please find PacifiCorp's reports on merger commitments with ScottishPower as they relate to the Utah Jurisdiction. These reports are:

1. Transition Plan Savings – Utah Stipulation #12
2. \$55 m Customer Service Standards – Stipulation #28
3. PacifiCorp to ScottishPower Ratios – Stipulation #20

Should you have questions about these reports, please do not hesitate to contact me at 801-220-2963.

Sincerely,

A handwritten signature in cursive script that reads "Joseph T. Weston".

Joseph T. Weston

Enclosures

cc: Division of Public Utilities
Committee of Consumer Services

TRANSITION PLAN SAVINGS

3/31/2003

UTAH

	Expenses	Capital	Impact on Rev Req	Factor	Utah %	Jursidiction Amount
Business Services	11,213,364	6,927,779	11,817,138	SO	39.0814%	4,618,303
Corporate Services	21,991,498	579,564	22,042,009	SO	39.0814%	8,614,326
Power Delivery						
Customer Service	12,070,152	35,484	12,073,245	CN	44.6083%	5,385,669
Distribution	36,805,230	22,877,626	38,799,077	SNPD	40.7807%	15,822,535
Transmission	1,340,000	(108,000)	1,330,588	SNPT	39.2437%	522,172
	<u>50,215,382</u>	<u>22,805,110</u>	<u>52,202,909</u>			
Power Supply	7,224,215	5,324,000	7,688,216	SG	39.2437%	3,017,140
Fuel (not in initiative list)	40,491,084		40,491,084	SE	39.1685%	15,859,750
Pre Transition Plan Merger Savings	32,000,000		32,000,000	SO	39.0814%	12,506,048
SAVINGS	<u>163,135,543</u>	<u>35,636,453</u>	<u>166,241,356</u>			<u>66,345,944</u>
Less Transition Plan Regulatory Asset (Cost of Early Out, Severance, etc)						(11,668,111)
Transition Plan Amortization - Annualized						(2,852,714)
Transition Plan Regulatory Asset Ending Balance Effect on Revenue Requirement						<u><u>51,825,118</u></u>



**TRANSITION PLAN SAVINGS
MARCH 2003**

**Business Services
(Corporate Support, Information Services, Real Estate and Shared Services)**

Ref	Initiative Title	Description	Expense	Capital
CS003	Property Accounting - Department Efficiencies And Best Practice - Year 2	This proposal downsizes Property Accounting by 5 posts with the completion of certain project work, establish	336,960	84,240
CS024	Reorganization/Consolidation of Records Management	Reduction in staffing of Records Management through consolidating management of multiple Portland and Salt Lake City facilities and greater implementation of electronic imaging, in addition, revision of retention policy and strict adherence to revised policy.	286,139	-
CS025	Combine Property/Facilities Administration	Combine Property and Facility (Administration) groups and reduce number of managers and admin support.	204,688	-
CS026	Administrative Services - Downsize	Eliminate Receptionist for LCT 18th floor and backup Receptionist for 20th floor. Maintain Receptionist for 20th Floor. LCT.	259,059	-
CS027	Outsourcing of NTO Facilities Services	Outsource NTO facility services through contractual arrangement with external provider	378,482	-
CS028	Outsourcing of LCT Facility Planning Services	Outsource LCT Facility Planning through contractual arrangement with external provider	197,219	-
CS031	OUC Sublease	Sublease two floors in One Utah Center. This space should become available through more efficient utilization of other floors.	975,261	(366,838)
CS036	Downsize Right of Way Services	Right of Way Services group is downsized 4 posts.	211,369	121,114
CS037	Outsource Right of Way Design Services	Right of Way Design group will be outsourced through contractual arrangement with an external provider.	227,933	301,894
CS038	Downsize Real Estate Services	Real Estate Services group is downsized 2 posts to match workload.	108,469	-
CS062	Payroll Accounting - Rationalize OJ EE Administration	Rationalize the administration of the On-Line Employee Expense system ("OLEE"). If the business case is proven, then centralize payroll function for mining onto SAP.	180,348	-
CS065	Accounts Payable - Process Improvement	Transfer Accounts Payable into Business Services organization. By adopting best practice processes and utilizing existing technologies, a reduction of 10 FTE will be realized.	495,816	-
CS067	Practice/Exp Travel Services Reductions	Reduction in both staff and contractors given reduced employee travel.	446,990	-
CS063	Company-wide savings from Property/Facilities	Company-wide savings from implementing new centralized property and facility management strategy.	1,000,672	0
IS001	Application Development Resourcing	Reduce current application development and maintenance costs. Identify a direction for more efficient sourcing of resources to reduce costs and maintain or increase current capabilities.	524,793	1,574,355
IS002	IT/IT Infrastructure Cost Reduction	Reduce current mainframe processing costs without impacting service levels.	957,875	-
IS003	Help Center Value	Reduce the cost of providing the Help Center service whilst increasing the productivity in processing service calls.	522,000	-
IS004	Contractor Reduction Program	Reduce the reliance on contract staff so that the overall percentage of contract to permanent staff is between 10% to 15%.	1,736,124	5,208,371
IS005	Reduce Core Group Workload	Reduce the application enhancement work level, unless the additional investment can be clearly offset by greater business benefits.	342,916	65,120
IS006	Consolidate Business Support Center Line Roles	Integrate the Business Support Center services that are IT related into the new IT organization. Move business/SAP expertise from the Business Support Center into the business units. This will improve business unit learning and utilization of SAP and will create synergies and savings in IT by consolidating like functions.	1,093,000	-
IS007	Review and Drive Value from Supplier Contracts	Examine the cost and scope of maintenance and service contracts and reduce the cost to the Company by either terminating contracts, re-negotiation, exploiting synergies with ScottishPower or rightsizing the level of services with business requirements.	1,493,285	-
IS008	Energy Management Systems Replacement	Establish a project to consolidate the legacy Energy Management Systems and Regional Control Systems(L&C) into one set of systems, which will require a greatly reduced level of support and provide a standard platform to underpin the business development in this area. The main benefit will be in the business operations where the use of these systems can be standardized and exploited.	411,532	105,816
IS009	Reorganization	To establish the functional areas and organization structure with the responsibilities of IT and Business Support Center. This will underpin and enable the Company via IT as it operates and develops throughout the five-year transition period. This initiative will address and identify the savings which can be made due to the removal of duplication arising from other transition initiatives and through improved processes and performance targets. Savings, which are accounted for by other initiatives, will not be shown here but the impact on organization, location and numbers will be included.	(495,651)	(9,202)

**TRANSITION PLAN SAVINGS
MARCH 2003**

Ref	Initiative Title	Description		
ISO11	Business Analyst Synergies with Customer Services	Evaluate the Business Analysis function that currently exists for Customer Systems. If appropriate, recommend consolidation with the similar function in IT.	91,409	284,228
ISO14	Synergies between ScottishPower and PacifiCorp	Examine the skills and services in both ISO in ScottishPower and IT in PacifiCorp. Identify where a sharing of information and experience can demonstrate future savings, productivity gains or risk mitigation. It has been identified that there are several areas of best practice which will deliver outstanding value to the ScottishPower group. In each of these cases a dollar amount can be justified, thereby demonstrating savings to the Company. The target for this initiative is to demonstrate an improvement in service for the Company as a whole and a justifiable dollar benefit in avoided costs.	-	175,659
ISO 15	Video Conferencing	Expand the use of video conferencing to every PacifiCorp location.	-	(53,119)
ISO16	IMS Technology Removal	Remove the remaining IMS application systems in order to save IMS maintenance costs (annual license fees and support labor).	(31,560)	(563,869)
ISO17	Reduction in Desktop Support	Evaluate desktop support staff level changes based on PacifiCorp's transition planning and implement new support levels.	312,531	-
ISO18	Implementation Enabling Costs	Provisional sum to cover implementation, transition to new structure and changes to working practices.	(1,064,296)	-
Business Services Total			11,213,384	6,927,779

**TRANSITION PLAN SAVINGS
MARCH 2003**

**Corporate
(Executive, HR, Finance, Legal, Open Learning, Community & Economic Development, Strategy & Planning, REA)**

Ref	Initiative Title	Description	Expense	Capital
CS002	Executive VP Administration Position Efficiencies	The revised organization makes the Executive VP F&A plus Assistant posts redundant and since no projects	810,403	-
CS004	Internal Audit Function Restructuring	This proposal reduces Internal Audit to 10 posts. This is based on benchmarking to ScotlistPower Internal A	1,051,528	-
CS005	Reorganization Of The Tax Department	Re-organizing and downsizing the corporate tax group to focus on PacificCorp's core business.	(5,929,059)	-
CS006	Treasury Department Restructuring	This proposal restructures Treasury to focus on the core businesses and reflect the fact PacificCorp is now an operating entity of a larger ScotlistPower group. The Remittance Processing function that currently is under Treasury is moved to Business Services. Credit Risk Management and Insurance Risk Management are transferred to the newly created Risk Management organization. These two areas are reviewed as part of this initiative.	1,780,043	293,270
CS007	Government Affairs - Staff And Operating Expense Reductions	Focus resources to support the businesses, working to interlink legislative and regulatory strategies and maximizing the use of external lobbyists, resulting in a smaller but more focused team.	80,816	-
CS008	Communications - Staff, Advertising and Operating Expense Reductions	Restructure the team to more effectively match the business needs. Costs will be reduced through a combination of tighter control and planning of communications and reductions in the size of the team.	829,983	-
CS011	CEO Department Efficiencies	Removal of board of director and stockholder fees as a result of the merger.	412,533	-
CS012	Investor Relations - Cost Reductions From Integrating Into ScotlistPower Organization	Investor Relations will be managed as a single function from ScotlistPower with a minimal local contact presence being maintained in Portland.	981,656	-
CS013	Elimination Of VP Operations Department Due To Restructuring	This initiative represents the elimination of this department.	1,399,875	152,500
CS014	Phase 1 - Outsource Shareholder Services Function	Shareholder Services function is outsourced to external provider.	718,509	-
CS015	Legal Department Cost Efficiencies And Savings	The Legal function will be restructured to concentrate on major legal issues and a new General Counsel will be appointed. Dependency on external legal counsel will be reduced and a new cost regime negotiated with potential suppliers of legal services.	58,466	-
CS016	Phase Out Major Programs Office		-	-
CS022	Reorganization Of Corporate Secretary Department	Re-focus Corporate Secretary on serving the board of directors and select committees. The title of Corporate Secretary will be held by the new General Counsel with the day-to-day responsibilities performed by 4 post (an Executive Support Manager) in the Strategy & Executive Support group. The current Corporate Secretary responsibilities for Records Management and Shareholder Services will be transferred to Business Services (Shared Services) and Regulation & External Affairs - Communications, respectively.	106,555	-
CS033	Chief Operating Officer Position Efficiencies	The COO post and Assistant can be removed following the main implementation phase of the Transition Plan. Position of President held currently by the COO given to the CEO.	1,246,398	-
CS035	Corporate Aircraft Outsourcing	Sale of Corporate Aircraft and Helicopter and wind-down of PacificCorp Trans. Corporate travelers will be served by commercial flights and ground transportation and, only when essential, charter service. Helicopter to be replaced by external contract provider for Transmission & Distribution line inspection.	-	-
CS045	Realign And Refocus The External Financial Reporting Department	Realign and refocus the external Financial Reporting Department by moving general ledger functions to General Accounting.	145,657	-
CS047	Corporate Performance - Reduce Department/Transfer Electric Financial Statement Analysis	Reduce department size and transfer electric operations financial statement analysis to new Consolidated Budgeting & Forecasting Department.	242,800	-
CS053	Devolve Financial Planning & Analysis To The Business Units	Devolve Financial Planning & Analysis activity to business units, retaining Strategy & Consolidation responsibility at Corporate Center.	98,764	-
CS056	Staff Expense Reductions - HR Staffing Department	Elimination of Staffing as a discrete department within HR.	123,344	-

**TRANSITION PLAN SAVINGS
MARCH 2003**

Corporate (continued)		Description	Expense	Capital
Ref	Initiative Title			
CS065	Staff Expense Reductions - HR Labor Relations	Reductions in the number of employees responsible for the job bidding functions for union employees.	44,700	-
CS066	Staff Expense Reductions - HR Management	Elimination of 2 Project Management posts.	255,724	-
CS070	Removal of Investor Relations Creative Specialist Position	Creative Specialist post and related expenses in the CFO group are eliminated.	87,687	-
CS071	Open Learning Centers - Additional Investment Costs And Staffing	This initiative is the balance of funding identified as new funding to assist in the opening of the first eight Open Learning Centers. It includes capital costs but excludes funding already sought from current budgets within HR.	(1,206,051)	133,794
CS073	HR Staff Increase To Support Business Services And Corporate Areas	Additional HR staff for the business units, primarily in the areas of Training & Development and Labor Relations.	(96,812)	-
CS076	Investor Relations - Additional Costs For US Investor Base	This is a provision to cover costs that are expected to be charged by the UK to cover the costs of the enlarged US investor base following the merger.	(133,729)	-
CS078	Additional Management Development Investment By HR	Increase in the Corporate Center budget for management development. This will be part of a new integrated approach for the development of PacificCorp's senior executives and for involvement as part of the ScottishPower group Management Development activities where appropriate.	(2,103,107)	-
CS080	CEO - Increase OMAG Expense For EEI Membership	Provision for full membership of Edison Electric Institute (EEI).	(736,111)	-
CS081	Investor Relations - Additional Professional Investor Liaison Position	Additional post for Professional Investor liaison.	(222,095)	-
CS082	CEO Support - Additional Resources For Business Development Group	Establish a new Business Development department to both lead and support corporate development.	(1,207,601)	-
CS083	Phase Down Transition/Implementation Budget	The phased reduction of Transition costs as the plan is implemented, with some budget being retained beyond the Transition Plan period to facilitate the next stage of organization change and development.	2,951,274	-
CS084	Increase In OMAG For Branding Initiative		-	-
CSSM012	Reduction of Prior DSM Obligation Amortization	As expenditures go down or are eliminated for DSM in states that require deferral, amortization expense will go down over time.	19,335,291	-
CSSM013	Reduction of Prior DSM Obligation Amortization (CES Contract)	This initiative reflects the ultimate pay-off of a long-term contract to provide DSM measures and guarantee performance over a period of years.	1,017,442	-
CSSM022	Consolidation of Community & Economic Development	This initiative is designed to increase the Company's focus on the communities it serves through the consolidation of all community facing functions into a Community and Economic Development Department.	127,500	-
CSSM023	Creation of Management Development Post	Management Development Post to facilitate CSSM 022.	(101,915)	-
V0016	Additional Account Managers	Creation of the Community Relations Organization	(198,880)	-
Corporate Total			21,991,498	579,564

**TRANSITION PLAN SAVINGS
MARCH 2003**

Power Delivery

Ref	Initiative Title	Description	Expense	Capital
CSS068	Tariff Policy and Administration Downsizing	Transfer to Customer Service and downsize.	134,000	-
CSSM001	Reorganize Income Collections	Create one credit management center, change work processes and reorganize Income Collection personnel over a five-year period.	2,433,000	-
CSSM002	Develop Credit Checking System	Develop a real time credit checking system to identify at-risk applicants at the time of application. This initiative will put an automated system with associated processes and policies in place to take full advantage of existing technology and shared databases.	-	-
CSSM003	Increase Overall Recovery Rate for Inactive Accounts Receivable	Renegotiate collection agency contracts with built in performance incentives in order to increase overall average collection agency recovery rates. Institute process changes whereby inactive accounts receivable balances are referred to agencies faster. Develop an internal collection letter to be used to collect dollars that are deemed most recoverable prior to agency assignment.	-	-
CSSM004	Collect Prior to Reconnect	Train, emphasize and adhere to the allowed regulatory policies for collecting all monies due for non-pay disconnects at the time of reconnection.	-	-
CSSM005	Focus Collection Activity	Revise CSS to allow more effective tracking of customers and sites. Put in place a revised credit coding scheme combined with simple, consistent management reports.	(8,000)	-
CSSM006	Lower Collection Threshold	To allow for projected reallocation required for the Customer Services organization. Not tied to specific initiatives.	(83,748)	-
CSSM007	Reallocation Provisional Sum	Centralize all high volume call handling activities in a single customer service contact center. Support for calls to be provided, when necessary, from a separate credit management operation center. Model allows focus on consistent, high-quality and efficient service delivery.	4,028,000	(100,516)
CSSM008	Centralize All High Volume Inquiry Activities in A Single Customer Service Center	To allow for the re-establishment of a training group, which was eliminated via the Business Center initiative.	(408,000)	-
CSSM009	Establish Training and Development Group	This initiative is designed to reduce the Marketing Department's planning and research activities, eliminate business unit planning, business planning and project management for other departments. This will be devoted to the business improvement team.	1,753,000	-
CSSM010	Reduced Planning Resources	This initiative is designed to increase the Company's focus on and accountability for relations with the communities PacificCorp serves through the creation of a community relations organization.	1,795,000	-
CSSM011	Creation of Community Relations Organization	This initiative is designed to ensure that the 85% of high bill inquiries that can be resolved over the phone are resolved during the customer's initial contact with the Company.	207,000	99,000
CSSM012	Resolve High Bill Inquiries At The Customer Service Center	This initiative combines the high bill inquiry site visit and home energy audit functions with similar functions in the Metering organization.	83,000	37,000
CSSM013	Integrate Site High Bill Inquiries And Energy Audits With Metering	This initiative is designed to increase the Company's focus on and accountability for key commercial and industrial customers through the creation of an account management organization. Consolidation of all account management functions will position the Company to improve customer satisfaction and provide a consistent message regarding the Company's policies, practices and procedures while enhancing the overall efficiency.	596,000	-
CSSM014	Consolidation And Refocusing Of All Account Management And Sales Support	This initiative is designed to increase the Company's focus on and accountability for key commercial and industrial customers through the creation of an account management organization. Consolidation of all account management functions will position the Company to improve customer satisfaction and provide a consistent message regarding the Company's policies, practices and procedures while enhancing the overall efficiency.	643,000	-
CSSM015	Consolidation And Refocusing Of All Account Management And Sales Support	This initiative is designed to increase customer satisfaction among key commercial and industrial accounts by addressing issues identified in the TQS Survey regarding reliability, call handling and pricing. Further, it addresses the current study on distributed generation and the availability of application engineering support.	917,900	-
CSSM016	Improved Customer Satisfaction And Efficiency			
Customer Service Total			12,070,152	35,484

**TRANSITION PLAN SAVINGS
MARCH 2003**

Ref	Initiative Title	Description	Expense	Capital
CS010	Revenue Accounting – Departmental Efficiencies And Best Practices	This proposal downsized Revenue Accounting by 3 posts with improved revenue reporting in the SAP and CSS systems, process improvements in electronic customer remittances and synergies achieved with combining this group with Power Accounting.	132,401	-
CS051	Performance Reporting Distribution – Rightsize Department	Rationalize performance reporting support to meet the demands of the post-transition organization, maximizing capability of SAP.	78,372	-
TD001	Network Planning	Significantly reduce the detail associated with project scoping, scheduling, and estimating for project planning and approval processes.	718,000	-
TD002	Telecommunications	The Telecommunication Design group is currently located in both Portland and Salt Lake City. This initiative will reduce the duplication of supervisory, engineering task and administrative activities by focusing accountability and streamlining processes. Key enablers are migration to electronic documents, common design practice, and reduced effort to submit capital expenditure program items.	429,000	354,000
TD003	Maintenance Policy	Combine positions from the existing organization into a focused team concentrating on business requirements for asset maintenance policy. Remove organizational boundaries, eliminate layers and establish responsibility for programs.	560,000	-
TD004	Standards	Combine positions from existing organizations into a focused team concentrating on business requirements for setting and maintaining specifications and standards for electrical and operational equipment. Remove organizational boundaries, eliminate layers and establish responsibility for programs. This will generate savings by avoiding duplicity of process and establishing a reduced number of variations on how equipment is purchased, constructed and operated.	921,000	-
TD005	Electronic Document Conversion	Convert manual drawings into a digital database, the Electronic Document Management System (EDMS), by advanced scanning technologies. Drawings would then be cataloged and distributed by EDMS, generating cost reductions from the present manual system. This initiative would lower costs to the organization by reducing the filing, locating, copying and physical shipping of manual drawings from a central depository to employees needing the information. The cost reductions from this initiative are factored into other Asset Management initiatives.	-	60,000
TD006	Asset Planning	Create T&D Asset Planning group by utilization of manpower reduced in other T&D Central Operations groups. Other initiatives have created a proposed Asset Management group. This initiative creates an Asset Planning group responsible for planning capital expenditures for the T&D system.	(876,000)	-
TD007	Technology System Support	Combine positions, remove organizational boundaries and eliminate layers from existing structure into a focused team concentrating on business requirements for maintaining transmission and distribution operational databases. This will generate savings by avoiding duplicity of process and establishing a central group within the Asset Management department with responsibilities for administration of core systems.	1,249,000	-
TD009	Technology Development	Presently, a small group of central T&D staff employees analyze and recommend improved work practices. It is recommended that all T&D groups identify and deliver improved work practices as part of normal business rather than dedicate manpower at the Central Operations level for this purpose. This initiative eliminates some employees performing this task and transfers the remaining employees to other Technology Development activities.	97,000	-
TD010	Technology Development	PacificCorp presently provides outside power quality services to its customers and others at a fee. While bringing in enough revenue to cover costs associated with this work, it has not yet been a highly profitable venture. Comparing the various costs, including required management attention, etc., with the potential benefits, it is believed that this is an activity that can be significantly scaled back to that of an advisory service to major customers.	180,000	-

**TRANSITION PLAN SAVINGS
MARCH 2003**

Ref	Distribution (continued) Initiative Title	Description	Expense	Capital
TD011	Technology Development	PacificCorp's distribution automation efforts involve year-to-year variations in work levels. Currently, there is a staff of employees and contractors for this effort. This initiative proposed a reduction in in-house development projects work for automation, with replacement of that work by contracted resources via approved project funding. In-house expenses would be utilized more for automation project planning, approvals, and management as well as a wide range of initiatives to improve business performance.	96,000	-
TD012	Projects	Retain one professional manager to expedite the delivery of initiatives to T&D business unit. Employees will be assigned on an ad-hoc basis to complete and test initiatives before they are put into production. No relocation is anticipated.	(132,000)	-
TD019	Consolidate Transmission System Dispatch to Portland	Transmission System Dispatch will consolidate Portland, Salt Lake, and Wyoming Control Centers into one location in Portland, saving duplication of manpower during off-hours. Transmission Dispatch will be responsible for Control Area services and all transmission facilities, 161 KV and above. The Wyoming sub-transmission/distribution functions will transfer to Portland Distribution.	-	(1,684,000)
TD021	Distribution Dispatch	Distribution Dispatch will operate and control the PacificCorp sub-transmission and distribution network from two 24-hour centers, located in Portland and Salt Lake City. These centers will ultimately operate as backup to each other in the event of an emergency. Dispatch Incident Coordinators will manage trouble orders received from the Business Center, dispatch the first response person and coordinate information to and from the Business Center. The Distribution dispatchers will be responsible for monitoring, controlling and operating the electrical sub-transmission and distribution network.	771,000	-
TD022	Incident Coordinator	Incident Coordinators in Portland and Salt Lake City will handle all trouble orders, including field crews and dispatch notification on a 24-hour basis. The Incident Coordinators will be managed by the Distribution Dispatch group in Field Operations and not the Business Center.	174,000	48,000
TD023	Senior Management	T&D Senior Managers are to be reassigned as part of the Workstream Plan to manage the proposed organization. This initiative addresses the effects of the reassignments.	172,000	-
TD027	Reduction in Organizational Layers	This initiative is aimed at reducing the number of organizational layers and improving the effectiveness of management and supervision within the Company. The evidence to support this initiative was gathered from numerous interviews, field visits and the benchmarking of "best practices" within the utility business.	1,059,000	92,000
TD028	Reduction in Managers	This initiative is aimed at delegating certain activities now performed by Operations Managers to subordinates, thereby reducing the number of Operations Managers. Operations Managers will be able to better apply their time and skills by delegating activities such as updating budget revisions in SAP, responding to material management and transportation issues, and performing daily work scheduling tasks. With appropriate training, clerks or other staff personnel can perform these activities. This will allow Field Operations Managers to focus on managing the needs of customers, managing a larger geographic area and managing work force.	3,183,000	358,000
TD029	Reduction in Line Crews	This initiative addresses the requirement to size and equip crews, so as to enable them to perform the most common line work activities. Savings can be achieved by matching manpower requirements to work activity requirements by implementing "best practice" crew size standards.	4,855,000	414,000
TD030	Reduction in Unproductive Time		306,000	-
TD031	Reduce Manpower Through Improved Scheduling	This initiative is aimed at improving efficiency by right-sizing crews, improving estimates of job times and introducing a standard work scheduling system across the Company. The evidence to support this initiative was gathered from numerous field visits, interviews, and the benchmarking of "best practices".	2,213,000	(2,060,000)
TD032	Reduction in Substation Crews	This initiative is aimed at reducing the number of Substation Employees through improved work scheduling, new maintenance standards, and incorporating performance standards for all job classifications.	2,384,000	-
TD033	Strategic Spares Department	This initiative is aimed at eliminating the Strategic Spares Department as a result of a review of their current role and requirement in the new organization. By assigning strategic spares inventory levels and tracking responsibility to each of the Technical Support Staff disciplines (Relay, Apparatus, and Communications), the work group dedicated to that function can be eliminated.	432,000	-
TD037	Reduction in Overtime	This initiative is aimed at reducing the cost of overtime. Following field observations and interviews, overtime in general is viewed as not well-controlled throughout most areas within Field Operations.	-	-
TD038	Reduction in Operation Centers	This initiative is aimed at optimizing the utilization of Operations Centers throughout PacificCorp's operating regions. By consolidating centers that sensibly fit together, taking into consideration geography and emergency customer response times, there is an opportunity of a "win-win" situation for the customer and the Company.	974,000	(208,000)

**TRANSITION PLAN SAVINGS
MARCH 2003**

Ref	Initiative Title	Description	Expense	Capital
TD039	Regional Engineers	This initiative is aimed at eliminating the Regional Engineer position as a result of the new organization structure for Field Operations and Construction.	123,000	123,000
TD040	Reduction in Area Engineers	This initiative is aimed at reducing the number of Area Engineers due to changes in the Organizational Structure and diminished involvement in certain assignments.	698,000	-
TD041	Reduction in Miscellaneous Expenses	This initiative documents the savings in transportation and tool costs resulting from manpower reductions realized in the other Field Operations initiatives.	166,000	128,000
TD042	Reduction of Field Operations Personnel - CAPEX	This initiative is a secondary effect due to the reduction in capital expenditure over the next five years.	776,000	3,278,000
TD043	Increase Estimator Utilization by Balancing Workloads	Currently, the number of estimates completed per estimator varies widely, indicating under-utilization. By consolidating and reducing the number of offices, efficiency levels will be rebalanced at the remaining locations.	-	708,000
TD045	Identify and Implement Simplified Design/Estimating/Mapping Tool	Develop a PC-based estimating tool that provides full graphical user interface transaction processing and real time SAP data availability. This also moves the technology to a client server environment. This option integrates all design, estimating, and mapping, saving time and enforcing standards within all its activities. This initiative would reduce estimating time by 5% and reduce the desktop manual and computer work by 30%.	-	(1,558,000)
TD047	Contractor Management	The use of contractors should be increased during peak construction season to reduce overtime (savings in overtime will be captured by Field Operations). The existing construction contracts should be modified to capture all productivity cost savings. All major construction projects over \$50,000 should be the subject of a contract, increasing accountability, decreasing "pocket veto" changes, and eliminating scheduling conflicts with new connects and outages. Site Agents will be introduced to manage and control all day to day contractor activities.	-	1,440,000
TD048	Improvements to Customer Management Process	This initiative establishes a standard approach to managing a new contract customer. In particular, estimators will be focused on design/estimating. Site agents will be focused on managing the customer from the point of paying/signing for service until financial and technical closure of the job.	25,000	463,000
TD049	Estimations in RCMS for Maintenance Replacement Work	Currently, the asset register is only updated through a link with RCMS. RCMS estimating is cumbersome and time consuming. Another initiative identifies replacing RCMS. With the capability of having a very simple tool, preferably, boiled onto SAP to update the asset register, 1,200 asset replacement estimates may be eliminated.	-	324,000
TD051	Implementation of SAP and Contractor Scheduling	Currently, work scheduling is completed utilizing various tools including white boards, spreadsheets, database programs, sticky tags, etc. These methods are inefficient, prone to errors, and accessible only from a single location. A tool needs to be available to schedule resources for major projects and new connections, including identifying internal and external labor.	-	(1,844,000)
TD053	Business Performance Monitoring Tool/New Product Performance Indicators	T&D has a Business Information Network (BIN) system that brings together performance data from disparate IT systems. This tool allows performance monitoring of the business in areas such as cost per connect, OPEX per line mile, etc. The financial interface was discontinued with the implementation of SAP. The interface needs to be re-established. In addition, this system provided a location for detailed financial forecasting, allowing individual work locations to input data. Continued enhancement of this tool is critical for monitoring and analyzing the trends and impacts of all the T&D initiatives. Failure to re-establish the BIN functionality, including forecasting, will create further work for business analysis.	-	88,000

**TRANSITION PLAN SAVINGS
MARCH 2003**

Ref	Initiative Title	Description	Expense	Capital
TD054	Centralize Design Function		-	280,000
TD055	Centralize Project Support Function		-	73,500
TD056	Centralize Mapping Function		98,000	183,000
TD057	Project Management Section - Reduction in Supervision/Support	Combine the three engineering services managers' duties into one manager based in Portland. This role will be responsible for 12 project managers.	-	261,000
TD058	Implementation of Design Documentation Package for Major Projects		-	166,500
TD059	Synchronize Manpower to Capital Plan		-	546,500
TD060	Simplification of Input for Design Section Estimates		-	89,000
TD063	Minimization of Design/Estimation Work Not Required for Capital Plans	Detailed design and estimation work is currently carried out at the request of a number of internal sections on network proposals that have not been included in the budget or long-term capital plans. Detailed design work will only be carried out on authorized proposals. This initiative enables a cost reduction through contractor displacement.	-	448,000
TD064	Improvements in Quality/Delivery Processes in Design/Estimation Sections	Eliminate multiple checking and potential re-work in the production of detailed designs by improving the design process.	-	576,000
TD065	Automate Mapping/Records Interface	Automate the interface between the existing mapping systems (FAAR, OMS, SmartMap) and the asset recording systems (APPR, FPI) to eliminate the data entry duplication and to reduce input resources.	144,000	252,000
TD066	Regional Logistics Model	Implement a regional logistics model to service operations in place of current centralized packaging centers. Centrally manage inventory to drive material reductions.	868,190	(745,188)
TD067	Organizational Redesign	Create a strategic Procurement and Logistics organization with a clear, articulated strategy and a focus on value-added activities, aligned with all businesses across the Company to maximize bottom-line impact and account for stretching targets. Redesign the organization to focus on higher-value strategic activities. Develop capability through targeted new-hires and training.	754,756	-
TD069	Strategic Sourcing	Implement an expanded and more disciplined sourcing program for a majority of PacificCorp materials and services. This will focus spending on alliance contracts and reduce the number of vendors used.	14,435,118	21,984,203
TD070	Outsource 5 Year Overhauls of Bucket Trucks	Investigate outsourcing of all hydraulic overhauls of bucket trucks to reduce downtime and costs.	39,000	207,547
TD071	Utah Garage	Create consolidated fleet maintenance group at UTB to carry out all maintenance work for the greater Salt Lake area.	278,852	-
TD072	Garage Operations - Wyoming, Oregon, Idaho, and Washington	Create accountability for T&D fleet maintenance in Transport Business	378,823	-
TD060	Standardization of Input for Design Section Estimates		-	-
TD074	Relocation of Operations at Utah Transportation Building (UTB)		66,000	-
TD076	Establish a Dedicated "Ring Fenced" Metering Business	Establish a dedicated Metering Business that will have total responsibility and accountability for all metering activities and the metering assets of PacificCorp.	(323,000)	(144,000)
TD077	"Home Start" for Meter Readers	Implementing the "Home Start" initiative for Meter Readers will allow meter readers to report directly to the first meter reading location each day at 8:00 a.m. and read the last meter at such a time that the meter reader can return to their home by 5:00 p.m.	710,146	-
TD083	Capital Run Rate Material Cost Reduction	Reduction in material costs due to other initiatives.	-	3,000,000
TD084	Relocation of Employees	T&D Head office is currently split almost 50/50 into the Salt Lake City and Portland offices with employees at some 30 other locations around the system. To gain efficiencies, focus and accountability as well as reduce layers of Management, it is proposed to establish a central operation in Portland.	-	-
TD088	Helicopter costs	Change is costs resulting from the removal of the in-house helicopter and purchase of services as and when required.	540,000	-
TD089	Training	Training to facilitate change at all levels of the business.	(100,011)	-
TD090	Establishment of Two Training Centers	Costs based on refurbishment of two properties as training facilities using current prices relative to the size of Scottish Power Centers in Delaine House and Hoylake.	(4,950,000)	(4,834,436)
TD091	HR Staff Increases to Support Business Units	Additional HR staff for the Business Units, primarily in the areas of Training and Development and Labor Relations.	(645,734)	-
V0009	Helicopter costs (Distribution)		(76,000)	-
V0011	Tree Trimming (Distribution)		2,294,000	-
V0013	Load Research and Forecasting (Distribution)		98,000	-
V0014	Load Research and Forecasting (Power Delivery Finance)		71,317	-
V0020	Environmental Initiative		-	-
V0017	Cost Reduction	Reduction of miscellaneous costs	300,000	-
Distribution Total			36,805,230	22,877,626

**TRANSITION PLAN SAVINGS
MARCH 2003**

Transmission				
TD014	Continued Support from Outside Groups	This initiative looks at combining common functions within the Transmission business unit where functional synergism, and therefore centralized efficiencies, exist. Project management and IT support of issues, such as Web-page development, could be outsourced to Construction and IT.	(29,400)	-
TD015	Consolidation	Consolidate the Transmission business unit functions into a common location. Streamline and clarify functions and adopt common data systems.	90,000	-
TD016	Automation	Use more automated system analysis programs and data acquisition/handling, allowing base cases to be prepared and studies run more efficiently and by fewer engineers.	-	98,000
TD019	Consolidate Transmission System Dispatch to Portland	Transmission System Dispatch will consolidate to one location in Portland, saving duplication of manpower during off-hours.	776,400	(176,000)
V0010	Helicopter Costs (Transmission)			
V0012	Tree Trimming (Transmission)		503,000	
V0020				
Transmission Total			1,340,000	(108,000)
Power Delivery Total			50,215,382	22,805,110

**TRANSITION PLAN SAVINGS
MARCH 2003**

Power Supply			Expense	Capital
Ref	Initiative Title	Description	(1,000)	(1,000)
CS009	Power Accounting – Departmental Efficiencies And Best Practices	This proposal downsizes Power Accounting by 2 posts with the standardization of Wholesale Energy Services contract language and terms and by rationalizing the overall administrative support required in Finance.	139,000	-
CS018	InterWest Mining – Rightizing Of Finance Staff	InterWest Mining reduction of 1 Finance post.	480,000	-
CS049	Performance Reporting Power Supply – Rightsize Department.	Remove non-finance posts from performance reporting.	121,000	-
CS075	Thermal Plant Productivity Improvements	Remove non-finance posts from performance reporting.	191,000	-
PD001	Thermal Plant Productivity Improvements	Thermal Plant manpower will be reduced from the 2000 budget with the implementation of this initiative. It incorporates at all plants the development and implementation of the following best practice O&M philosophies: Total Productivity Maintenance (TPM), Reliability Centered Maintenance (RCM), and a Process Centered workforce.	(259,000) (566,985)	-
PD002	Thermal and Hydro Plants Overtime Costs	Thermal and Hydro Plants Overtime costs will be reduced from the year 2000 Budget base. Individual employees are presently working far in excess of the targeted 10% Overtime. The new targeted Overtime level will be 6%.	3,084,200	-
PD004	Reduce Contract and Material Costs Through the Use of Alliances	Procurement will develop additional procurement alliances to achieve annual capital and operation and maintenance savings following the merger.	3,500,000	5,000,000
PD007	Hydro Productivity/Maintenance Alliance	Implement a maintenance alliance agreement to handle all regularly scheduled maintenance for PacifiCorp's hydro turbines and generators. Implement TPM and Lean Management philosophies within Hydro Production. The day to day and emergency maintenance tasks will continue to be handled by three centrally located maintenance groups.	55,000	-
PD010	Engineering & Technical Services Manpower Reduction	This initiative is intended to improve Engineering & Technical Services productivity by better utilizing engineering alliances and by working with the Asset Optimization Group to focus only on effective work. This will enable a reduction in staff size and the transfer of some Engineering & Technical Services personnel to other organizations within Power Supply.	480,000	325,000
Power Supply			Expense	Capital
Ref	Initiative Title			
V0021	Environmental Services	Organization restructuring/outourcing	-	-
Power Supply Total			7,224,215	5,324,000
Grand Total			90,644,459	35,636,453

\$55 Million Customer Service Commitments

CUSTOMER SERVICE

Service Commitments Orders

Customer Guarantees

Fiscal Year

Operating Expense

Order # / WBS	Order Description	2000	2001	2002	2003	Total	
102580	CSC Project and Improvements		426	0	1,072	1,498	CG 1-8
203997	Project Labor & Expenses - Commitment	106,697	0	0	0	106,697	CG 1-8
203998	System Enhancements/New Technology	93	0	0	0	93	CG 1-8
204023	Failure Payments	107	49	0	0	156	CG 1-8
204956	Project Labor & Expenses - Payout	584	0	0	0	584	CG 1-8
204959	Project Management - Communications	1,984	0	0	0	1,984	CG 1-8
204960	Material Development - Communications	60,807	12,458	248	0	73,513	CG 1-8
205001	Delivery - Communications	18,119	7,321	0	0	25,440	CG 1-8
205002	Project Management	37,505	44	0	0	37,549	CG 1-8
209022	ISO 9000 Non Labor Expenses		21,737	25,335	18,571	65,643	CG 1-8
210201	ISO 9000 Labor		69,648	0	0	69,648	CG 1-8
40001680	Work Tracking Service Commitments	7,649	0	0	0	7,649	CG 1-8
40001901	Modify CSS to Support New Service Commitments	7,089	0	0	0	7,089	CG 1-8
40002380	IT Work Tracking Service Commitments	124,580	577	0	0	125,157	CG 1-8
40002601	Service Commitments - Website	186	0	0	0	186	CG 1-8
40002643	BIN - Service Commitment Reporting	23,063	8,577	0	0	31,640	33% applies to PS
1701183	CG3 Switching Power	125	26,750	18,325	18,450	63,650	CG 1-8
1701221	CG1 Restoring Power	50	2,750	3,525	17,916	24,241	CG 1-8
1701214	CG2 Appointments	250	3,550	2,450	6,250	12,500	CG 1-8
1701226	CG4a Customer Contacts for Estimates	1,675	6,700	7,675	18,400	34,450	CG 1-8
1701228	CG4 Estimates	50	7,900	6,050	9,350	23,350	CG 1-8
1701232	CG5 Respond to Bill Unquiries	0	3,775	4,900	8,550	17,225	CG 1-8
1701236	CG6 Respond to Meter Problems	0	550	400	1,900	2,850	CG 1-8
1701240	CG7 Planned Interruptions	100	2,800	3,425	6,450	12,775	CG 1-8
1701245	CG8 Power Quality Complaints	0	10,800	525	200	11,525	CG 1-8
40003489	Service Commitments - Phase 2	10,705	0	0	0	10,705	CG 1-8
45012341	DCS for Service Commitments	0	229	593	0	822	CG 1-8
45012342	CMT for Service Commitments	0	1,159	270	0	1,429	CG 1-8
Cost Center 12297 - ISO 9000		0	83,606	116,337	35,943	235,886	CG 1-8
Cost Center 13022 - Service Commitments		81,851	373,944	330,956	359,809	1,146,560	10% applies to PS
Marketing & Advertising Expenses		496,496	59,222	377,062	57,936	990,717	20% applies to PS
Total O&M Expense (For Customer Guarantees -Customer Service)		979,766	704,572	898,077	560,797	3,143,211	
Capital Expense							
40001680	Work Tracking Service Commitments	22,946	0	0	0	22,946	CG 1-8
40001901	Modify CSS to Support New Service Commitments	21,266	0	0	0	21,266	CG 1-8
40002380	IT Work Tracking Service Commitments	373,742	1,732	0	0	375,474	CG 1-8
40002601	Service Commitments - Website	559	0	0	0	559	CG 1-8
40002643	BIN - Service Commitment Reporting	69,191	25,731	0	0	94,922	33% applies to PS
Total Capital Expense (For Customer Guarantees -Customer Service)		487,704	27,463	-	-	515,167	
Customer Service Customer Guarantees Total (O&M & Capital Expense)		1,467,470	732,034	898,077	560,797	3,658,378	

\$55 Million Customer Service Commitments

Performance Standards		2000	2001	2002	2003	Total	
Order # / WBS	Order Description						
O&M Expense							
203991	Project Labor and Expenses - Network	208,916	73,206	377	0	282,499	PS 1-5
203992	Systems Enhancements/ New Technology - Network	52,918	0	0	0	52,918	PS 1-6
203993	Network Investments	5,443	0	0	0	5,443	PS 1-6
204950	Project Labor & Expenses - Telephone	205	0	0	0	205	PS 8
204952	Ongoing Operations & Maint. Costs - Telephone	237	0	0	0	237	PS 8
40002120	Regulation Complaint Data Base	6,288	0	0	0	6,288	PS 7
40002643	BIN - Service Commitment Reporting	11,360	4,224	0	0	15,584	33% applies to PS
Cost Center 13022 - Service Commitments		9,095	41,549	36,773	39,979	127,396	10% applies to PS
Marketing & Advertising Expenses		124,124	14,806	94,266	14,484	247,679	20% applies to PS
Total O&M Expense (for Performance Standards-Customer Service)		418,585	133,785	131,416	54,463	738,249	
Capital Expense							
40002120	Regulation Complaint Data Base	18,863	0	0	0	18,863	PS 7
40002643	BIN - Service Commitment Reporting	34,079	12,673	0	0	46,752	33% applies to PS
Total Capital Expense (for Performance Standards-Customer Service)		52,942	12,673	-	-	65,615	
Customer Service Performance Standards Total (O&M and Capital)		471,527	146,459	131,416	54,463	803,864	
Customer Service Total		1,038,997	878,483	1,029,492	615,280	4,482,242	

CUSTOMER SERVICE FUNDING SOURCES

Customer Service Merger Commitment expenditures were not redirected from any project or activity but rather the savings spent were from existing budgets. Money was available due to efficiencies gained through merger saving and generally underspending the current year's plan.

Distribution		2000	2001	2002	2003	Total	
Order # / WBS	Order Description						
Capital Expense							
DSPN/2000/C/001	Network Initiatives	-	284,414	904,128	7,311,458	7,311,458	PS1-5
DSPN/2000/C/002/151	Worst Performing Circuits	-	-	-	-	1,188,542	PS4
DSPN/2000/C/002/181	Network Performance Standards (CADOPS)	1,153,914	1,197,474	338,688	-	2,690,076	PS 1-4
DSPN/2000/C/002	Network Performance Standards(PROSPER)	14,105	313,197	869	-	328,171	PS 1-4
DSPN/2001/C/002	Network Performance Standards(IMAP 50%)	-	-	-	6,262,601	6,262,601	50% of total spend
DSPN/2001/C/022	Network Performance Standards(IMAP 50%)	-	-	-	1,877,556	1,877,556	25% of total spend
PDIT/9999/C/XF5	Network Performance Standards(EMS Scada 25%)	-	-	-	-	-	
		1,168,019	1,795,085	1,243,685	15,451,615	19,658,404	
Distribution Total (All Performance Standards)		1,168,019	1,795,085	1,243,685	15,451,615	19,658,404	

NOTE: Dollar amounts for 2003 Distribution Performance Standards are cumulative from 2000 to 2003.

DISTRIBUTION FUNDING SOURCES

Distribution Merger Commitment expenditures were not redirected from any project or activity but rather the savings spent were from existing budgets. Money was available due to efficiencies gained through merger saving and generally underspending the current year's plan.

Customer Guarantees Total (All Customer Service)	1,467,470	732,034	898,077	560,797	3,658,378
Performance Standards Total (Customer Service and Distribution)	1,639,546	1,941,544	1,375,101	15,506,078	20,462,289
GRAND TOTAL (CS & Dist Customer Guarantees & Performance Standards)	\$ 3,107,016	2,673,578	2,273,177	16,066,875	24,120,668

SUMMARY		2000	2001
Customer Service Customer Guarantees Total		998,077	3,658,378
Customer Service Performance Standards Total		131,416	803,864
Total Customer Service		1,029,492	4,462,242
Distribution Performance Standards Total		1,243,685	19,658,404
Total Distribution		1,243,685	19,658,404
Check Total		2,273,177	24,120,648

Individual Merger Commitments Responsibility - Information Request

Ratios Provided as at 31 March 2003

Figures represent Domestic Electric Operations (DEO) results ONLY, Under US GAAP in \$ as compared to total ScottishPower results in \$ under US GAAP.

Source for Data:- Annual Report & Accounts for 2002/03 and PacificCorp 10K for the period ended 31 March, 2003.

Narrative	US GAAP				No. of Employees at March 31, 2003 (Number)
	Revenues \$m	Expenses \$m	Total Assets \$m	1	
PPW (Domestic Electric Only - DEO)	3,593.4	3,104.5	10,993.0	2	6,140
Total ScottishPower	8,332.9	6,661.3	24,109.2	2	13,825
PPW expressed as a % of total SP	43.1%	46.6%	45.6%	2	44.4%

Notes:-

1 Total SP group revenue (turnover) under US GAAP has been determined by taking the UK Sterling amount of £5,274 million in the Annual Report & Accounts (Page 132) and translating this, solely for the convenience of the reader, at the rate of 1.58 as used in the 5 year summary in the Annual Report & Accounts (Page 132). There are no US GAAP adjustments affecting revenue as was stated for the March 31, 2002 data request.

DEO revenue within this total is \$3,593.4m that agrees to the 10K for March 31, 2003 (Page 53)

2 See attached workings on Total Assets sheet for SP position at March 31, 2003.

Using the 10K figures the total assets disclosed for DEO segment is \$10,993 million (Page 54).

3 ScottishPower does not have a category for Operations and Maintenance (O&M) costs alone within their SP Annual Report and Accounts.

Instead the expenses are split between Cost of Sales (COS), Transmission and Distribution (T&D), Administrative (G&A), other operating income (OOI) and Goodwill Amortization.

For the purpose of this analysis therefore the total expenses quoted above have been used for comparative purposes and were calculated from page 74 in the SP Annual Report and Accounts and Page 53 of the 10K for PacificCorp for the year ended March 31, 2003.