

SCOTTISH POWER/PACIFICORP MERGER
Utah PSC Docket No. 98-2035-04
DPU Review of Merger Conditions Compliance
February 2002 View

This Division of Public Utilities compliance status review of the Scottish Power/PacifiCorp Merger Conditions and Second-Party Stipulations looks at the 51 conditions stipulated to by most parties in the merger case, a 52nd condition Ordered by the Commission, and four second-party stipulations also in the Commission's November 23, 1999 merger Order.

Condition 1

ScottishPower and PacifiCorp shall agree to all commitments and conditions as included in Witness Alan Richardson's Supplemental Testimony Exhibit AVR-1 (a copy of which is attached as Attachment 1 [to the Order]). In the event of any conflict between Attachment 1 and this Stipulation, the terms of this Stipulation shall govern.

Compliance Status:

The commitments and conditions included in Alan Richardson's Supplemental Testimony Exhibit AVR-1 consists of 12 pages of detailed information. This information is shown below as part of "Compliance Status" for Condition 1. The status of PacifiCorp's compliance with each of these individual items will be shown after each sub-section of Mr. Richardson's 12 page Exhibit which is Condition 1.

[Scottish Power, Richardson (Supplemental Testimony)]

BENEFITS TO CUSTOMERS FROM THE TRANSACTION

I. CUSTOMER SERVICE

A. Network Performance

1. System Availability. On the five-year anniversary of the completion of the transaction, the underlying System Average Interruption Duration Index (SAIDI) for PacifiCorp customers in the State of Utah will have been reduced by 10%.

Compliance Status:

PacifiCorp, please provide compliance status. During the 2000 through 2001 period, PacifiCorp spent approximately \$44.6 million to upgrade the distribution system along the Wasatch Front. PacifiCorp estimates that in doing so it reduced the # of outage incidents by approximately 24%. The Division is working with PacifiCorp to determine the extent reducing the # of outage

incidents may have also reduced SAIDI. At the time of the merger, PacifiCorp estimated that reducing SAIDI by 10% and MAIFI by 5% would enable Utah customers to save approximately \$20 million annually. The estimated savings are attributable to reductions in economic losses attributable to outages. By 5/15/02, PacifiCorp plans to estimate the 1994 through 1998 average SAIDI baseline, against which the Company plans to measure its targeted 10% reduction in SAIDI during 2005. Also, see the status report on merger condition 27.

2. System Reliability. On the five-year anniversary of the completion of the transaction, the underlying System Average Interruption Frequency Index (SAIFI) for PacifiCorp customers in the State of Utah will have been reduced by 10%.

Compliance Status:

PacifiCorp, please provide compliance status. During the 2000 through 2001 period, PacifiCorp spent approximately \$44.6 million to upgrade the distribution system along the Wasatch Front. PacifiCorp estimates that in doing so it reduced the # of outage incidents by approximately 24%. The Division is working with PacifiCorp to determine the extent reducing the # of outage incidents may have also reduced SAIFI. (At the time of the merger, PacifiCorp estimated that reducing SAIDI - - which correlates with SAIFI – by 10% and MAIFI by 5% enabled Utah customers to save approximately \$20 million annually. The estimated savings are attributable to reductions in economic losses attributable to outages. By 5/15/02, PacifiCorp plans to estimate the 1994 through 1998 average SAIFI baseline, against which the Company plans to measure its targeted 10% reduction in SAIFI during 2005. Also, see the status report on merger condition 27.

3. Momentary Interruptions. On the five-year anniversary of the completion of the transaction, the Momentary Average Interruption Frequency Index (MAIFI) for PacifiCorp customers in the State of Utah will have been reduced by 5%.

Compliance Status:

PacifiCorp, please provide compliance status. By January 2003, PacifiCorp plans to report on its progress in more accurately reporting MAIFI. During early 2005, the Company plans to recommend a MAIFI uplift factor for the 1994 through 1998 average MAIFI baseline. The Company will then determine whether it has achieved a targeted 5% reduction against this baseline.

4. Worst Performing Circuits. The 5 worst performing circuits in the State of Utah will be selected annually on the basis of the Circuit Performance Indicator (CPI), as calculated over a three-year average excluding extreme events. Corrective measures will be taken within 2 years of implementation of the performance targets to reduce the CPI by 20%.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has identified the five worst

performing circuits for the three years ending 12/31/98 as Fiscal Year 2001 circuits. The Company identified the five worst performing circuits for the three years ending 12/31/00 as Fiscal Year 2002 circuits. PacifiCorp considers 1999 a transition year.

PacifiCorp uses a Circuit Performance Indicator (CPI) to identify the five worst performing circuits in Utah. PacifiCorp's CPI is a weighted composite index based upon SAIDI, SAIFI, MAIFI, and the # of lockouts. After two-year improvement periods, the Company will determine whether it has met its commitment to reduce the CPIs by 20%.

5. Supply Restoration. For power outages because of a fault or damage on PacifiCorp's system, PacifiCorp will restore supplies on average to 80% of customers within 3 hours.

Compliance Status:

PacifiCorp, please provide compliance status. Review of PacifiCorp's Customer Guarantee and Performance Standards reports indicate that PacifiCorp has been consistently restoring, on a statewide basis, more than 80% of all outages within 3 hours.

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

Compliance Status:

PacifiCorp, please provide compliance status. The Division understands that PacifiCorp plans to measure its performance during fiscal year 2005 (ending 3/31/06) for each of the five standards. Then, for each standard it fails to meet, PacifiCorp then plans to pay a \$1.00 penalty for every customer in PacifiCorp Utah.

7. Implementation. Specific terms and conditions relating to the implementation of the Network Performance Standards are set forth in Appendix A.(3)

B. Customer Service Performance

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

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has been answering telephone calls within required time intervals. See the status report on merger conditions # 27 and #35 for more information regarding PacifiCorp's performance in answering telephones. The PSC has allowed the Company to retain the 80% in 20 seconds beyond January 1, 2002 by Order after

application from PacifiCorp.

2. Complaint Resolution.

a. Non-Disconnect Complaints. Within 90 days after completion of the transaction, PacifiCorp will investigate and provide a response to all complaints referred by the Commission within 3 business days. [business days are defined as Monday thru Friday excluding company holidays].

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp's end of September 2001 Customer Guarantee Report indicates that 99% of PSC complaints were responded to within 3 days. No similar data was made available by PacifiCorp for the 90 day period ending February 21, 2000 from the November 23, 1999 merger approval date (completion of transaction date).

b. Disconnect Complaints. Within 90 days after completion of the transaction, complaints related to service disconnection will be responded to within 4 business hours. [business hours are defined as 8:00 a.m. to 5:00 p.m.]. [though not specifically stated here, the target performance level for this measurement is all calls, 100%].

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp's end of September 2001 Customer Guarantee Report indicates that 100% of PSC complaints regarding disconnects were responded to within 4 hours. No similar data was made available by PacifiCorp for the 90 day period ending February 21, 2000 from the November 23, 1999 merger approval date (completion of transaction date).

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

Compliance Status:

PacifiCorp, please provide compliance status. (This target was changed from 90% to 95% in 2001). PacifiCorp's end of September 2001 Customer Guarantee Report indicates that 97% of PSC complaints were resolved within 30 days. No similar data was made available by PacifiCorp for the 90 day period ending February 21, 2000 from the November 23, 1999 merger approval date (completion of transaction date).

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

C. Customer Service Guarantees *(Please see summary compliance status for Customer Service Guarantees section after item C9 below).*

1. Restoring the Customer's Supply.

- a. Guarantee. If the customer loses electricity supply because of a fault in PacifiCorp's system, PacifiCorp will restore the customer's supply as soon as possible.
- b. Penalty. If power is not restored in 24 hours, customers can claim \$50 for residential customers and \$100 for commercial and industrial customers. For each extra period of 12 hours the customer's supply has not been activated, the customer can claim \$25.

2. Appointments.

- a. Guarantee. PacifiCorp will keep all mutually agreed appointments with the customer, whether over the phone or in writing. Beginning in the year 2001, PacifiCorp will offer the customer a morning appointment, between 8 AM and 1 PM, or an afternoon appointment, between 12 Noon and 5 PM.
- b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.

3. Switching On the Customer's Power.

- a. Guarantee. Upon customer request, PacifiCorp will activate the power supply within 24 hours provided no construction is required and all government requirements are met.
- b. Penalty. If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50. In addition, for each extra period of 12 hours the customer's power supply has not been activated, PacifiCorp will automatically pay-out \$25 to the customer.

4. Estimates for Providing a New Supply.

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

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

5. Response to Bill Inquiry.

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

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

6. Problems with the Customer's Meter.

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

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

7. Planned Interruptions.

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

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

8. Power Quality Complaints.

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

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

9. Implementation. Specific terms and conditions relating to the implementation of the Customer Service Guarantees are set forth in Appendix B. Data calculations to measure performance will be audited by the company and an outside auditor.

Compliance Status:

PacifiCorp, please provide compliance status. On May 5, 2000, PacifiCorp filed a new Electric Service Regulation No. 25, General Rules and Regulations Customer Guarantees, which became effective July 1, 2000. This Regulation incorporated all of the merger Richardson testimony

items C1 through C9 above with even an improvement in item C5 (15 to 10 days). This Regulation is in force and PacifiCorp is offering all of these guarantees to its Utah customers.

PacifiCorp has been meeting its commitment to provide \$50 service credits for its failures to meet performance requirements specified for eight types of field service. On 5/31/01, the Company reported that its Guarantee Program was awarded the ISO 9001:2000 quality certification for performance during January through March of 2001. The certification focuses on how well the program is implemented and managed. PacifiCorp indicates it conducts internal and external audits to maintain this status.

The Company has also been meeting its commitment to report its performance in implementing the Guarantee Program. For example, each quarter PacifiCorp reports the # of service guarantee failures on a district basis. However, in the near future, the Company plans to add to the report the # of failures as a percentage of the total # of events. Reporting ratios will provide a performance focus. See the status report for merger condition #34 for more information on PacifiCorp's field response reporting.

10. Reporting.

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

Compliance Status:

PacifiCorp, please provide compliance status. The Customer Guarantee Regulation became effective on July 1, 2000, the June annual report to customers was due by June 30, 2001. Was such a report made? Please provide the DPU a copy of this report. Is a June 30, 2002 report to customers to be prepared. What method does PacifiCorp utilize to physically give this information to customers?

b. To Commission. PacifiCorp will provide an annual report to the Commission by May 31 of each year that will discuss implementation of ScottishPower's programs and procedures for providing improved performance. The report will provide a general summary of how PacifiCorp performed according to the standards, targets and guarantees. The report will: (i) provide performance results for each standard, target or guarantee; (ii) identify excluded exceptions; (iii) explain any historical and anticipated trends and events that affected or will affect the measure in the future; (iv) describe any technological advancements in data collection that will significantly change any performance indicator; (v) discuss any "phase in" of new standards, targets or guarantees; and (vi) include the name and telephone numbers of contacts at PacifiCorp to whom inquiries should be addressed. If the company is not meeting a standard, target or guarantee, the

report will: (i) provide an analysis of relevant patterns and trends; (ii) describe the cause or causes of the unacceptable performance; (iii) describe the corrective measures undertaken by the company; (iv) set a target date for completion of the corrective measures; and (v) provide details of any penalty payments due.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp provided its first annual report to the PSC on May 31, 2001. Also, see the status of merger conditions 27, 33, 34, and 36 for more information regarding the Company's performance in reporting service results.

II. REGULATORY OVERSIGHT

A. Access to Books and Records

1. PacifiCorp will maintain its own accounting system, separate from ScottishPower's accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon, and will continue to be available to the Commission upon request at PacifiCorp's offices in Portland, Salt Lake City, Utah, and elsewhere in accordance with current practice.

Compliance Status:

PacifiCorp, please provide compliance status. Based upon audits of PacifiCorp's semi-annual reports, the DPU observes that PacifiCorp is in compliance with this merger condition.

B. Cost Allocation, Affiliated Interest Transactions

1. By the end of the third year following the completion of the transaction, ScottishPower will have achieved a net reduction of \$10 million annually in PacifiCorp's corporate costs (\$15 million of annual cost savings in corporate costs which, when offset by \$5 million of cost increases, will produce a net reduction of \$10 million annually in corporate costs). ScottishPower will commit to reflecting this reduction in PacifiCorp's results of operations filed with the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. Please indicate where and how PacifiCorp has reflected this type of reduction in results of operations filed with the PSC.

2. ScottishPower will provide an analysis of its proposed allocation of corporate costs within ninety days after completion of the transaction.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU recalls that PacifiCorp made an initial attempt to provide this proposed allocation of corporate costs and then withdrew it. What is the status of this item?

3. To determine the reasonableness of allocation factors used by ScottishPower to assign costs to PacifiCorp and amounts subject to allocation or direct charges, the Commission or its agents may audit the records of ScottishPower which are the bases for charges to PacifiCorp. ScottishPower will cooperate fully with such Commission audits.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU is not aware of any situations where there has been any need for the DPU or others to directly audit the records of Scottish Power.

4. ScottishPower and PacifiCorp will provide the Commission access to all books of account, as well as all documents, data and records of their affiliated interest, which pertain to any transactions between PacifiCorp and its affiliated interests.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU observes that PacifiCorp is generally in compliance with this merger condition.

5. ScottishPower and PacifiCorp agree to comply with all existing Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU recalls it received March 2000 information in September 2000 but has not seen any information since that time.

6. ScottishPower will not subsidize its activities by allocating to or directly charging PacifiCorp expenses not authorized by the Commission to be so allocated or directly charged.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU has no specific compliance information regarding this condition. Audits have not indicated lack of compliance.

7. Neither ScottishPower nor PacifiCorp will assert in any future Commission proceeding that the provisions of the Public Utility Holding Company Act of 1935 preempt the Commission's jurisdiction over affiliated interest transactions.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU is not aware of any such claims being made to date.

C. Transaction Costs

1. ScottishPower and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts.

Compliance Status:

PacifiCorp, please provide compliance status.

D. Financial Issues

1. ScottishPower intends to achieve an actual capital structure equivalent to that of comparable, A-rated electric utilities in the U.S., with a common equity ratio for PacifiCorp of not less than 47%.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU is interested in PacifiCorp's actual capital structure following its internal restructuring as reported in the December 31, 2001 10Q.

2. PacifiCorp will maintain separate debt and, if outstanding, preferred stock ratings.

Compliance Status:

PacifiCorp, please provide compliance status.

3. ScottishPower and PacifiCorp will provide the Commission with unrestricted access to all written information provided to common stock, bond, or bond rating analysts, which directly or indirectly pertains to PacifiCorp.

Compliance Status:

PacifiCorp, please provide compliance status. It appears to the DPU that PacifiCorp is generally in compliance with this condition.

III. COMMITMENT TO THE ENVIRONMENT

A. Renewable Resources

1. PacifiCorp will develop an additional 50 MW of renewable resources (wind, solar and/or geothermal) at an anticipated cost of approximately \$60 million within five years after completion of the transaction.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU is aware that PacifiCorp recently (end of 2001) began operation of a new 50 MW Wyoming wind farm at Foote Creek Rim. PacifiCorp has a 20 year agreement to purchase the entire output of the project which is made up of 50, 1 MW wind turbines. Recent newspaper articles indicate that "The project fulfills a commitment PacifiCorp made at the time of its merger with Scottish Power to bring significant new renewable resources online for its customers". Please confirm if this new contract is related to this merger condition and provide the details as well as costs.

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

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp filed on January 28, 2000 for approval of a green resource tariff in Utah, to be called the "Blue Sky" program, Electric Service Schedule No. 70 - New Wind, Geothermal and Solar Power Rider - Optional. This rate schedule was approved by the PSC on April 17, 2000. PacifiCorp is in compliance with this merger condition.

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

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp, did this contribution take place? Please provide the details.

B. Environmental Management

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

by the end of 2000.

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

IV. COMMITMENT TO COMMUNITIES

A. Financial Contribution

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

Compliance Status:

PacifiCorp, please provide compliance status. *It is the opinion of some on the DPU staff that this merger condition contribution was made. Please provide the history and details of this*

contribution. Was it made above or below the line? Please provide the location of reporting in company reports such as semi-annual, etc.

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no specific information on PacifiCorp's actions (if any) regarding this condition. What was the base line level of contributions? Is PacifiCorp complying? How is this measured and reported? Please help the DPU understand and be able to determine compliance with this condition.*

B. Programs

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

2. ScottishPower will maintain the existing Regional Advisory Boards.

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no specific information on PacifiCorp's actions (if any) regarding this condition. Please help us understand where the Regional Advisory Board structure and utilization presently stands.*

C. Low-Income Customers

1. ScottishPower will commit \$1.5 million per year (in addition to PacifiCorp's existing commitment of \$1.5 million annually) to programs that encourage the economic well-being of communities, including the following:

Compliance Status:

PacifiCorp, please provide compliance status.

a. ScottishPower will double the number of customers assisted by the heat assistance funding program for those customers who qualify under the Federal Low Income Energy Assistance Program and will reintroduce the matching concept with PacifiCorp matching customer donations to heat assistance programs annually.

Compliance Status:

PacifiCorp, please provide compliance status.

b. ScottishPower will establish a debt counseling service for those customers who have difficulty in paying their monthly electric bills.

Compliance Status:

PacifiCorp, please provide compliance status.

c. ScottishPower will expand the commitment to educate customers regarding energy efficiency in order to help customers with payment difficulties, and to promote electricity safety for all customers.

Compliance Status:

PacifiCorp, please provide compliance status.

V. COMMITMENT TO EMPLOYEES

A. Existing Labor Agreements

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

Compliance Status:

PacifiCorp, please provide compliance status. *DPU has no information on PacifiCorp's actions (if any) regarding this condition.*

B. New Programs

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU assumes that “following programs” refers to B.1.a, B.1.b and B.1.c below. DPU has no information on PacifiCorp’s actions (if any) regarding this condition. Please report on the status of the start up \$3 million and annual expenditures around \$1 million for these items.

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU has no information on PacifiCorp’s actions (if any) regarding this condition.

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU has no information on PacifiCorp’s actions (if any) regarding this condition.

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU has no information on PacifiCorp’s actions (if any) regarding this condition.

C. Occupational Health

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU has no information on PacifiCorp’s actions (if any) regarding this condition.

[THE FOLLOWING TABLE INFORMATION IS PART OF THE QUOTED MATERIAL FROM MR. RICHARDSON'S SUPPLEMENTAL TESTIMONY, BUT CONTAINS NO COMPLIANCE STATUS INFORMATION FOR THE DPU'S REPORT. THE READER CAN PROCEED TO MERGER CONDITION NO. 2 ON ABOUT PAGE 19]

July 28, 1999 Stipulation - Attachment No. 1

Scottish Power, Richardson (Supplemental Testimony)

EXHIBIT A

Performance Standards

Standard

Clarification

System Availability (SAIDI)

SAIDI will exclude extreme events (storms). This allows measurement of the underlying performance of the asset base.

System Reliability

(SAIFI)

SAIFI will exclude extreme events

Momentary Interruptions

(MAIFI)

MAIFI will exclude extreme events

Worst Performing Circuits

CPI will exclude extreme events. It will also exclude instances where the company is delayed due to the company's inability to obtain the appropriate planning consents.

Supply Restoration

Restoration time will exclude extreme events. It will also exclude situations where a customer agrees to remain without power or where PacifiCorp is unable to restore supply due to problems with the customer's facility, or where PacifiCorp does not have access.

Telephone Service Levels

Telephone service levels will be defined as percent of calls answer within targeted time frame. Telephone service levels will be measured from the time the customer selects a menu option and is placed in queue until a CSE or interactive voice response (IVR) unit answers the call.

Commission Complaint

Resolution

The company may request an extension of time to respond to a

complaint, which may be granted by Commission Staff. Business days are defined as Monday through Friday excluding company holidays. Business hours are defined as 8:00 a.m. to 5:00 p.m.

July 28, 1999 Stipulation - Attachment No. 1

Scottish Power, Richardson (Supplemental Testimony)

EXHIBIT B

Customer Guarantees

Standard

Clarification

Restoring Your Supply

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) There are safety-related issues, 4) Customer has agreed to remain without power, or
- 5) Problems exist with the customer's facility.

Appointments

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) Major system outages,
- 4) Customer is out when PacifiCorp calls, 5) Customer cancels the appointment, or 6) PacifiCorp cancels the appointment and provides you with at least 24 hours notice.

Switching on the Customer's Power

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) Major system outages,
- 4) Customer is out when PacifiCorp calls, or 5) There are safety-related issues.

Estimates for Providing a New Supply

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) Major system outages,
- 4) Customer is out when PacifiCorp calls, 5) Customer cancels the appointment, 6) PacifiCorp cancels the appointment and provides you with at least 24 hours notice, or
- 7) Customer has not supplied all the necessary information so PacifiCorp can provide the estimate.

Response to Bill Inquiry

Working days are defined as Monday through Friday excluding company holidays.

Problems with Your Meter

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) PacifiCorp personnel do not have access to the customer's meter, 4) Meter tests shall be limited to no more frequently than once every 12 months.

Planned Interruptions

Guarantee does not apply if any one of the following occur:

- 1) Extreme events, 2) Strikes, 3) Major system outages, or
- 4) There are safety-related issues.

Power Quality Complaints

Working days are defined as Monday through Friday excluding company holidays.

Condition 2

On June 18, 1999, ScottishPower and PacifiCorp filed a proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads. In or about October 1999, PacifiCorp and ScottishPower shall schedule a conference/meeting with regulators in all PacifiCorp states (including CCS in Utah) to discuss the proposed and alternative corporate and affiliate cost allocation methodologies. The DPU agrees to use its reasonable best efforts to reach agreement with the other state regulators as to the corporate cost allocation methodology to be recommended to the respective state commissions. In the event the state regulators are unable to reach agreement or the DPU concludes that the methodology supported by any of the other U.S. regulatory states would cause actual or perceived financial harm or inequity (on the basis of projections at that time) to the ratepayers in Utah, the DPU may support or recommend such allocation methodology to the Commission as it determines to be appropriate. ScottishPower assumes the risk of whatever allocation methodologies or decisions the Commission may adopt.

Any proposed methodology to be submitted to the Commission for approval will comply with the following principles:

- (a) For services rendered to PacifiCorp or each cost category subject to allocation to PacifiCorp by ScottishPower or any of its affiliates, ScottishPower must be able to demonstrate that such service or cost category is necessary to PacifiCorp for the performance of its regulated operations, is not duplicative of services already being performed within PacifiCorp, and is reasonable and prudent.
- (a) Cost allocations to PacifiCorp and its subsidiaries shall be based on generally accepted accounting standards, that is, in general, direct costs shall be charged to specific subsidiaries whenever possible and shared or indirect costs shall be allocated based upon the primary cost-driving factors.
- (a) ScottishPower shall have in place time reporting systems adequate to support the allocation of costs of executives and other relevant personnel to PacifiCorp.
- (a) An audit trail shall be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
- (a) Costs which would have been denied recovery in rates had they been incurred by PacifiCorp regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries in the ScottishPower group.
- (a) Any corporate cost allocation methodology used for rate setting in Utah, and subsequent changes thereto, must be approved by the Utah Commission.

ScottishPower also assumes the risk of the Commission's approval or adoption of corporate cost allocation methodologies which differ from those adopted by U.K. regulatory agencies.

Compliance Status:

PacifiCorp, please provide compliance status. DPU recalls that an a cost allocation methodology for allocation of corporate and affiliate investments, expenses and overheads was filed or at least discussed at the time of merger discovery but was subsequently withdrawn. DPU understands that no new methodology has been proposed and that no cost allocations other than direct costs are being charged by Scottish Power to PacifiCorp at present. Is there a future plan for a new cost allocation methodology? Please explain.

Condition 3

No merger transaction related costs shall be allowed in rates. Enhancements to severance costs relating to the merger will not be allowed in rates. Normal severance costs may be considered for allowance in rates. Future costs arising as a result of the transition plan which result in net

cost savings may be considered for allowance in rates. The Applicants agree that they will not in any future rate case in Utah argue for inclusion in rates of any of the items described in Attachment 2.

Compliance Status:

PacifiCorp, please provide compliance status. At this point in time, DPU has no direct information or evidence as to whether or not PacifiCorp has complied with this condition.

Condition 4

Any diversified holdings and investments (e.g., non-utility business or foreign utilities) of ScottishPower shall not be held by PacifiCorp, the entity for utility operations, or a subsidiary of PacifiCorp. This condition shall not prohibit the continued holding of any existing investments or the holding of diversified businesses and investments by affiliates of PacifiCorp.

Compliance Status:

PacifiCorp, please provide compliance status. At this point in time, DPU has no direct information or evidence as to whether or not PacifiCorp has complied with this condition.

Condition 5

ScottishPower and PacifiCorp agree to notify the Commission subsequent to ScottishPower's Board approval and as soon as practicable following any public announcement of (1) an acquisition of a regulated or non-regulated business representing 5% or more of the market capitalization of ScottishPower or entering into a new business venture or expansion of an existing one, or (2) a merger, combination, transfer of stock or assets of any material part or all of PacifiCorp or the direct owner of PacifiCorp stock. In addition, PacifiCorp shall comply with the provisions of Utah Code Ann. §§ 54-4-28 through 54-4-31.

Compliance Status:

PacifiCorp, please provide compliance status. At this point in time, DPU has no direct information or evidence as to whether or not PacifiCorp has complied with this condition.

Condition 6

ScottishPower shall comply with PacifiCorp's Transfer Pricing Policy, as currently in effect or hereafter amended with the approval of the Commission, in respect of transactions with PacifiCorp.

Compliance Status:

PacifiCorp, please provide compliance status. Is PacifiCorp complying with the Utah PSC's adopted transfer pricing policy?

Condition 7

PacifiCorp or ScottishPower shall notify the Commission, and provide sufficient information and documentation to the Commission, prior to the implementation of plans by either PacifiCorp or ScottishPower (1) to form an affiliate entity for the purpose of transacting business with the regulated operations of PacifiCorp, (2) to commence new business transactions between an existing affiliate and with the regulated operations of PacifiCorp, or (3) to dissolve an affiliate which has transacted any substantial business with the regulated operations of PacifiCorp.

Compliance Status:

PacifiCorp, please provide compliance status. Did PacifiCorp notify the Utah Commission when it dissolved its air transportation unit "PacifiCorp Trans" ? Any other plans requiring notification?

Condition 8

PacifiCorp shall comply with the provisions of Utah Admin. Code Section R746-401 which sets out the Commission's Rules for reporting the construction, purchase, acquisition, sale, transfer or disposition of utility assets and utility plant.

Compliance Status:

PacifiCorp, please provide compliance status. DPU knows of no non-compliance with this Section of the Utah Administrative Code since November 1999. PacifiCorp, has there been any notification non-compliance?

Condition 9

ScottishPower and PacifiCorp shall be required to provide notification of and file for Commission approval of the divestiture, spin-off, or sale of any integral utility function of PacifiCorp. This condition does not limit any jurisdiction the Commission may otherwise have over the divestiture, spin-off or sale of any utility asset.

Compliance Status:

PacifiCorp, please provide compliance status. DPU knows of no non-compliance with this Section of the Utah Administrative Code since November 1999. PacifiCorp, has there been any non-compliance of this Code Section in Utah?

Condition 10

ScottishPower, PacifiCorp and all affiliates shall make their employees, officers, directors, and agents available to testify before the Commission to provide information relevant to matters within the jurisdiction of the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp has made its employees, officers, directors and agents readily available to testify and provide information relevant to matters within the Commission's jurisdiction and is therefore seen as being in compliance with this merger condition.

Condition 11

ScottishPower and PacifiCorp shall provide adequate access for the Commission, DPU and CCS or their authorized agents to relevant books, records and officials of all ScottishPower entities. Failure to provide adequate supporting documentation of costs may result in those costs being denied rate recovery. Requests by such entities or their authorized agents shall be deemed presumptively valid, material and relevant, with the burden falling to ScottishPower and PacifiCorp to prove otherwise. ScottishPower and PacifiCorp shall reserve the right to challenge any such request before the Commission and shall have the burden of demonstrating that any such request is not valid, material or relevant. Applicants agree that corporate records shall be available for inspection in Utah or Portland, Oregon. ScottishPower and PacifiCorp shall pay reasonable expenses incurred by the Commission, DPU and CCS in accessing corporate records and personnel located outside of the State of Utah.

Compliance Status:

PacifiCorp, please provide compliance status. Audits performed by DPU personnel have shown that PacifiCorp is generally in compliance with this merger condition. We have heard of one case where Oregon regulators may have been denied certain Scottish Power Board minutes. Utah has not been denied such minutes but has not made such a request.

Condition 12

For a period of five (5) years commencing with the year 2000, PacifiCorp shall include in its year-end semi-annual report a full description, calculation (with supporting work papers) and dollar identification (both total PacifiCorp and Utah's share) of merger savings achieved for the reporting year.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp, if this has been done on the year end semi-annual reports, please provide specific documentation or reference to specific pages in the semi-annual reports (March 2000?, March 2001?) to show compliance. Please include the details of this required information in your response.

Condition 13

No later than six months after the closing date of the merger, ScottishPower and PacifiCorp will file the merger transition plan with the Commission. The plan will include the items described in Mr. MacRitchie's Utah rebuttal testimony.

Compliance Status:

DPU notes that PacifiCorp's Merger Transition Plan, was issued within this six month period with a cover date of May 24, 2000. PacifiCorp is in compliance with this merger condition.

Condition 14

The existing Umbrella Loan Agreement between PacifiCorp and its affiliates (approved by the Commission on November 19, 1997 in Docket No. 88-2035-03), as it may hereafter be amended with approval of the Commission, will continue to govern the terms for loans between PacifiCorp and its affiliates and ScottishPower shall be deemed to be an affiliate in accordance with the terms of the Umbrella Loan Agreement.

Compliance Status:

PacifiCorp, please provide compliance status. Generally, the DPU is under the impression that PacifiCorp is in compliance with this merger condition. PacifiCorp, please provide a statement as to the current status.

Condition 15

For two years following the merger, PacifiCorp shall file a cash flow summary (or other evidence) with its dividend report, showing that service will not be impaired by payment of the dividend, and shall comply with the provisions of Utah Code Ann. §54-4-27. In addition, an officer of PacifiCorp shall be satisfied and shall formally certify to the Commission that PacifiCorp has adequate capital to meet all of its outstanding commitments and carry out its public service obligations in the State of Utah.

Compliance Status:

PacifiCorp, please provide compliance status. DPU thinks that an initial report was submitted by PacifiCorp that was not in compliance with this merger condition and that a second attempt was to be made. DPU does not think the Company is in compliance with this merger condition.

Condition 16

Any penalty payable by ScottishPower for failure to meet any of the five network performance standards in the State of Utah, as specified at page 9 of the Direct Testimony of Bob Moir, shall be paid as designated by the Commission. Upon the assessment of any such penalties, PacifiCorp and ScottishPower shall consult with the DPU and the CCS to identify an appropriate recipient and shall file its proposal with the Commission. PacifiCorp and ScottishPower agree to be bound by the Commission's decision in this regard.

Compliance Status:

PacifiCorp, please provide compliance status. PC could be required to pay penalties (\$1 for each customer in Utah) for failure to meet any one of the five network standards during 2005. Thus, PC will be required to pay these penalties if it fails to:

- Reduce each of SAIDI, SAIFI, and MAIFI by 10%, 10%, and 5% from the 1994 through 1998 (adjusted) average baseline levels by the end of 2005.*
- Restore supply within 3 hours 80% of the time on a Statewide basis.*
- Reduce the CPI by 20% for all worst performing circuits. This includes the five worst performing circuits identified each year for which two-year improvement periods have elapsed.*

See the status reports on merger conditions #1, #27, #29, and #30 for more information regarding PC's progress in implementing Merger Condition 16.

Condition 17

General and Financial reports - To be filed with the Commission:

- a. FERC form 1 - PacifiCorp and Utah state;
- b. Annual and quarterly reports (if any) to shareholders of ScottishPower;
- c. Semi Annual reports showing Utah and PacifiCorp operating results, allocation factors, coal reports, demand side management report, production costs modeling, peak loads by jurisdiction, normalizing adjustments and work papers, all in respect of the regulated operations of PacifiCorp;
- d. Monthly financial and operating reports of the regulated operations of PacifiCorp; Securities and Exchange Commission Reports 10-Q (quarterly) and 10K (annually) of PacifiCorp;
- e. Annual class cost of service studies for the regulated operations of PacifiCorp;
- g. Monthly Energy Information Administration Form EIA 826 for the regulated operations of PacifiCorp;
- h. Annual affiliated interest report for PacifiCorp and relevant affiliates; and
- ix. Five year financial plan and forecast of financial condition (including capital

expenditures) for PacifiCorp, provided that such shall not be filed with Commission but shall be available for inspection at the offices of PacifiCorp or its attorneys in Utah on an annual basis.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU observes that PacifiCorp is generally in compliance with timely submittal of the listed reports in Condition 17. The DPU has not seen quarterly reports to shareholders of Scottish Power (17c). DPU needs more information concerning item 17g Form EIA 826. DPU auditors indicate they think we are missing the last annual affiliated interest report for regulated operations of PacifiCorp (item 17h). DPU has seen item (17i), 'five year financial plan and forecast of financial condition' during audit trips to Portland. PacifiCorp, please give us information on each on these 9 items to help us make an accurate compliance report to the PSC.

Condition 18

For the purpose of U.S. regulatory reporting, ScottishPower shall follow FASB 52 .

Compliance Status:

PacifiCorp, please provide compliance status. DPU desires confirmation of compliance with this item. DPU is of the opinion that PacifiCorp is in compliance with this merger condition.

Condition 19

Unless otherwise approved by the Commission, the Applicants agree to the use of a hypothetical capital structure to determine the correct costs of capital for ratemaking purposes in Utah. The capital structure shall be constructed using a group of A-rated electric utilities comparable to PacifiCorp.

Compliance Status:

PacifiCorp is in compliance with this merger condition. Hypothetical capital structure using A-rated comparable electric utilities has been used in the most recent rate cases before the Utah Commission.

Condition 20

Within 90 days after closing of the merger, PacifiCorp and ScottishPower shall provide a detailed report indicating PacifiCorp's proportionate share of the ScottishPower group's total assets, total operating revenues, operating and maintenance expense, and number of employees. Subsequent to this initial report, this information shall be included as part of PacifiCorp's semi-annual filing with the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. If this report was provided in the first 90 days following the close of the merger (which the DPU seems to recall it was), please indicate the date submitted and provide a copy to the Division. Has this information been included in the semi-annual filings to the Utah Commission since this 90 day report? Please indicate where.

Condition 21

Except as provided in Condition 22, until approved by the Commission in a separate proceeding, PacifiCorp shall maintain separate long term debt.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU understands that PacifiCorp is in compliance with this merger condition. A status statement from PacifiCorp will be appreciated.

Condition 22

With the exception of inter-group loans which shall be provided in accordance with Condition 14, PacifiCorp shall apply to the Commission for approval of debt issuances by PacifiCorp or on its behalf, in accordance with Utah Code Ann. §54-4-31 provided that the DPU and CCS agree that PacifiCorp may apply for a waiver of this requirement following 12 months after the closing of the merger.

Compliance Status:

PacifiCorp is in compliance with this merger condition. In Docket No. 00-035-16, filed on December 4, 2000, roughly 12 months following the closure of the merger, PacifiCorp applied for this waiver and was granted the waiver in a PSC Order on February 23, 2001. As part of the Order, PacifiCorp was to provide quarterly reports that included bond rating analysis, change to bond ratings and issuance expenses. Has the Company made these reports?

Condition 23

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

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp is in compliance with this merger condition to the date of this report. PUHCA has not been repealed or modified to our knowledge and PacifiCorp has not made any claims as yet on this topic of affiliated interest transactions.

Condition 24

PacifiCorp and ScottishPower shall provide the DPU and the CCS with a copy of any SEC filed lobbying reports.

Compliance Status:

PacifiCorp, please provide compliance status. Have any SEC lobbying reports been filed? If so, has PacifiCorp filed these with the DPU and CCS? Please provide any such reports again at this time.

Condition 25

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

Compliance Status:

In Docket No. 99-035-10, PacifiCorp complied with this merger condition. In this case they used a lower cost of debt and no higher cost of debt was asked for. PSC Order was May 24, 2000. Any additional PacifiCorp comments will be appreciated on this status statement for this condition.

Condition 26

Rates will be set based upon original and not revalued costs. Any premium paid by ScottishPower for PacifiCorp stock will be disregarded for ratemaking purposes.

Compliance Status:

PacifiCorp, please provide compliance status.

The DPU observes that PacifiCorp, to date, is in compliance with this merger condition as no stock premiums have been granted in the last two Utah rate cases.

Condition 27

- (a) PacifiCorp will comply with ScottishPower's proposed performance standards and service guarantees and will not allow its underlying outages to increase above current levels for the periods set out in ScottishPower witness Moir's direct testimony.
- (b) PacifiCorp will include the proposed performance standards and service guarantees in its tariff.
- (c) During 2004, PacifiCorp will review and if necessary revise its performance standards, service guarantees and related requirements. In any event, PacifiCorp will submit for Commission approval its proposals for the continuation of performance standards, service guarantees and related requirements.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU observes that PacifiCorp has been complying with Scottish Power's proposed performance standards and service guarantees.

The DPU has not yet determined whether PacifiCorp will be able to reliably estimate average outage baseline levels for 1994 through 1998. On 2/15/02, PacifiCorp plans to provide data on this point. The data may indicate whether it is possible to reliably estimate PacifiCorp's average 1994 through 1998 average-outage baselines.

On 2/15/02, PacifiCorp is also expected to provide data quantifying an estimate that it reduced outage incidents by approximately 24% from 2000 to 2001. If the Company did reduce outage incidents 24%, Utah customers are possibly realizing over \$40 million annually in reduced economic losses.

The \$40 million annual savings is being realized if: 1. PacifiCorp actually did reduce the # of outage incidents by approximately 24% during 2000 and 2001, and 2. The reduction in outage incidents strongly correlates with comparable reductions in average outage durations and momentaries (less than five minute) outages. The \$40 million would be in addition to savings attributable to more timely field responses and improved call handling.

PacifiCorp has included the proposed performance standards and service guarantees in its tariff.

The Commission has granted PacifiCorp an exemption from the January 2002 requirement to answer 80% of all incoming calls within 10 seconds. The Company will continue to meet the 20-second requirement.

Condition 28

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

PacifiCorp will report on expenditures and sources of funds in its year-end semi-annual report.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has been reporting its funding sources and expenditures against a \$55 million estimate. This is because PacifiCorp stipulated to funding its expenditures -- required for meeting service standard commitments -- from efficiency savings and redirected internal funding.

During 2002, the DPU plans to meet with PacifiCorp representatives to clarify the Company's sources and expenditures Report.

If PacifiCorp has reported this information in its March 2001 semi-annual report, please help the DPU to identify where it was reported.

Condition 29

PacifiCorp will operate its current outage reporting system in parallel with Prosper (an automated system expected to verify customer reported outages) until the earlier of Commission approval to terminate the current system or until the establishment of baselines in accordance with Condition 30.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp implemented Prosper in Southern Utah during November 2000 and in Northern Utah during February 2001. In doing so, the Company terminated the manual outage reporting system. Contrary to the merger requirement, the Company did not request that the Commission approve termination of the system.

*PC has not yet estimated and recommended outage **baselines** in accord with conditions 27 and 30. At this time, the Company plans to recommend outage baselines for SAIDI and SAIFI by 5/15/02 and for MAIFI during early 2005.*

Condition 30

- (a) PacifiCorp will perform audits at six-month intervals to ascertain the differences between customer reported faults (from the telephone systems) and those recorded in the fault reporting systems to ascertain the differences due to reporting deficiencies. These three audits will terminate 18 months after approval of the transaction. *PacifiCorp will install Prosper no later than 18 months after the merger transaction.* Thereafter, PacifiCorp will perform audits upon request of the DPU or the Commission.
- (a) Based on that data, the DPU will, within 18 months after approval of the transaction, file a report with the Commission recommending outage baselines. Disputes, if any, regarding the outage baselines will be resolved by the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. In Condition #29, the DPU indicated that PacifiCorp implemented Prosper in Southern Utah during November 2000 and in Northern Utah during February 2001, within the 18 month period after the close of the merger transaction in November 1999. The Company is required to conduct three audits at six-month intervals to ascertain differences between customer reported faults (from the telephone system) and those recorded in the automated fault reporting system (Prosper). The objective is to measure recording and reporting inaccuracies.

PacifiCorp conducted one audit during 2001 in the Cedar City area. As of 8/29/01, the Company had planned to conduct two additional audits over the next 10 – 12 months (PacifiCorp, status please). (Although the Division has the prerogative, it has not requested that PacifiCorp conduct an additional audit.)

In May of 2001, PacifiCorp did not recommend 1994 to 1998 outage baselines by May 2001 as planned. At this time, PacifiCorp plans to recommend outage baselines for SAIDI and SAIFI by 5/15/02 and for MAIFI by early 2005.

Condition 31

Subject to the following reporting and dispute resolution provisions, PacifiCorp may use the IEEE criteria to determine what constitutes an “extreme event” as proposed in the Direct Testimony of ScottishPower witness Moir. The claim by PacifiCorp may involve judgments regarding design limits of or extensive damage to the power system. If so, PacifiCorp will file with the DPU a report specifying the basis for the claim and any disputes regarding the merits of the claim will be resolved by the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. During 2001, PacifiCorp used the IEEE criteria to claim three extreme events. Based upon the #s of customers affected in operating areas, the DPU has recommended that the UPSC approve two of the three claims. During early 2002, the DPU will make a recommendation on PacifiCorp’s recent third extreme event claim.

Condition 32

PacifiCorp will audit, in response to DPU requests, to determine actual outage levels – after correcting for under or inaccurate recording. The results of that determination will be submitted to the DPU and will be subject to audit by the DPU or its designated expert.

Compliance Status:

PacifiCorp, please provide compliance status. As indicated in the status report on merger condition #30, the Division has not requested that PC conduct an additional audit to determine outage levels.

Condition 33

PacifiCorp will provide quarterly reports of outages on a district basis. The report will include a comparison of the average district outage levels (for outage durations, outage frequencies, and short duration outages) with the outage level for the highest and lowest circuits. PacifiCorp recognizes that the DPU has the statutory authority to request additional information. PacifiCorp agrees to provide explanations or corrective action plans regarding unfavorable outage variances in response to DPU requests.

After Prosper is in place, PacifiCorp will include in the quarterly reports the numbers of customers in each district for whom outages have exceeded PacifiCorp's average outage frequency rate.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has been providing quarterly outage reports on a district basis. The reports indicate the average outage levels for each district with results for the strongest and weakest performing circuits. Results are shown for average outage durations, average #s of customers affected, and average #s of customers affected by momentary outages (SAIDI, SAIFI, and MAIFI, respectively). The more recent 5/31/01 and 10/31/01 service quality reports also include the Customer Average Interruption Index (CAIDI). CAIDI measures the average outage-duration intervals for affected customers.

By February 2001, PacifiCorp had implemented the Prosper outage reporting system throughout Utah. On 12/20/01, PacifiCorp was therefore able to supplement its 10/31/01 quarterly service report with a report on the #s of customers in each district for whom outages exceeded the PacifiCorp's average outage frequency rate. PacifiCorp plans to include this data in future quarterly service reports.

More recently, PacifiCorp advised the DPU that Excel's autofilter feature could be used to sort circuits having outages above or below designated levels. This feature allows the DPU to more readily identify and report circuits (and the districts where they are located) having favorable or unfavorable variances. The goal is to report performance by geographic area on an exception-principle basis.

Condition 34

PacifiCorp shall continue with internal meter set and meter test field response standards in Northern Utah. It shall establish reasonable internal targets for field responses where none currently exist and for which targets have not yet been set and report performance against all district targets on a quarterly basis.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp reports field response performance

for both guaranteed and non-guaranteed field responses. The Company has been improving both their field response reporting methodology and their field response performance.

PacifiCorp's 10/31/01 service quality report depicted, on a district basis:

- ☐ % outages restored within 3 hours*
- ☐ #s failures for each of customer guarantees 1 through 8. Future reports are expected to include the %s of failures to total events, thus, providing a performance focus, for exception-principle reporting*

- ☐ for non-guaranteed field responses:
 - meter sets - - % restored within 5 days*
 - temporary meter sets - - % restored within 15 days*
 - two types of responses to tree trimming requests - - average # days*
 - responses to miscellaneous field requests - - average # days.**

On 1/31/02, PacifiCorp began reporting field response-service results on Excel spreadsheets. This allows the use of autofilter (an Excel feature) in sorting and reporting favorable and unfavorable variables on a district basis. PacifiCorp's future reports are expected to include performance ratios for guarantee failures. The DPU will thereafter be able to provide performance reports to the Commission and public (on the DPU's web site) on an exception-principle basis.

Condition 35

PacifiCorp shall report call-handling results during wide-scale outages against average answer speeds, hold times, and busy indications.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has been reporting call-handling results during "wide-scale outages" against average answer speeds, hold times, and busy indications. The Company defines a wide-scale outage during business hours as a situation wherein its call center receives more than 2,000 calls per hour. A non-business hour wide-scale outage would develop more than twelve Commission or Hotline complaints during the non-business evening or early-morning hours.

Based upon its wide-scale outage experiences, the Company has also been reporting "lessons learned" and follow-up on those lessons.

Condition 36

PacifiCorp shall report, each quarter, district data showing credits to customers for failures to meet customer guarantees. PacifiCorp will do so for the period of the commitment to these guarantees, as set out in the direct testimony of Bob Moir.

Compliance Status:

PacifiCorp, please provide compliance status. PacifiCorp has been reporting each quarter, district data showing the # and dollar amounts of credits to customers for failures to meet customer guarantees. As noted in condition 35 status, PacifiCorp plans to include the #s of failures as %s of totals in future reports, thereby providing a performance focus.

Condition 37

PacifiCorp shall implement and include in its tariff a dispute resolution process for dealing with customer claims resulting from customer guarantee failures on a fair and consistent basis.

Customers will continue to have the right to file informal complaints with the DPU or formal complaints with the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. The Division observes that PacifiCorp is in compliance with this merger condition. Through the rulemaking process in collaboration with the DPU Customer Service Section and others, and through re-written Electric Service Regulations (Regulation No. 1) in the last rate case, Docket No. 01-035-01, completed in November of 2001, PacifiCorp has strengthened its dispute resolution process. Its Regulation No. 25, "Customer Guarantees", Paragraph 5, "Dispute Resolution" directs customers with customer guarantee failure claims or disputes to PacifiCorp's Customer Guarantee Claim Center. If a customer is not satisfied with claim handling at this center, this same Paragraph 5 directs them to the provisions of dispute resolution in Regulation 1 (which is the informal and formal complaint process) mentioned above.

Condition 38

Following the introduction of Prosper, PacifiCorp will provide a quarterly report of the number of customer reported transmission outages where customers report loss of supply. For each customer reported transmission outage, PacifiCorp agrees to report as precisely as is possible the locality (that is, the PacifiCorp district, wholesale electric cooperative, municipality or other wholesale customer location) from which the customer report came.

Compliance Status:

PacifiCorp, please provide compliance status. By February 2001, PacifiCorp had implemented the Prosper outage reporting system throughout Utah. PacifiCorp thereafter improved the accuracy of the automated system. On 12/20/01, PacifiCorp supplemented its 10/31/01 quarterly service report indicating the #s of customers in each district affected by transmission caused outages. PacifiCorp plans to include #s of customers affected in each district in its future quarterly service reports.

Condition 39

PacifiCorp recognizes that it has a statutory obligation to provide adequate, efficient, just and reasonable service to each retail customer. PacifiCorp also recognizes that the Commission has the authority to supervise and regulate PacifiCorp's service and to enforce its orders, including through the provisions of Section 54-7-25.

Compliance Status:

PacifiCorp, please provide compliance status. In general, the Division observes that PacifiCorp is in compliance with this merger condition thus far since the merger. The regulatory rate case process attempts to insure adequate, efficient, just and reasonable service to each retail customer. PacifiCorp has recently run the gauntlet of several heavily litigated rate cases before the Utah Commission where each of these merger condition service issues have been addressed. The DPU is unaware of any cases where 54-7-25 "Violations by Utilities - Penalty" have been brought before the Utah PSC for resolution since the close of the merger in 1999, so as far as the DPU knows, PacifiCorp still recognizes the Commission's authority to impose penalties under this statute. The DPU's records indicate that the number of customer complaints to the Utah PSC concerning PacifiCorp decreased slightly in 2000 and 2001 from the number received in 1999.

Condition 40

PacifiCorp will continue to produce Integrated Resource Plans every two years, according to the then current schedule and the then current Commission rules.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU observes that the IRP/RAMPP process has not been current and especially effective in the years just prior to completion of the November 1999 merger or in the years since that merger. Had adequate generation resources been in place as a result of an effective IRP process before or after the merger, PacifiCorp possibly would not have been as exposed to high cost market power prices in 2000 and 2001 and would have had the necessary new power plants in place instead of having to use the somewhat short term measures of load curtailment, temporary gas turbines, etc., to serve customers. PacifiCorp's generation resource capacity has not kept up with the growth in Utah. The Company is still struggling to provide sufficient power for the summer of 2002. The DPU recognizes that many other power companies were affected and surprised by the energy crisis during this period as well and that some of what PacifiCorp experienced was beyond its control, but even PacifiCorp's own older IRP plans indicated the need for new resources in the early 2000's which were not built.

PacifiCorp is in compliance with its effort to continue to produce IRP's every two years but numerous time extensions have been needed before plans have been published. To its credit, PacifiCorp has renewed its efforts to re-focus on IRP planning processes (partially in response to a recent PSC Order) and is having a series of meetings with stakeholders to obtain input into

a new and improved IRP process and product. Some employees at PacifiCorp are even saying that future IRP's might become a tool for the Company to use in charting actual direction and operations of the Company as the DPU and others have hoped the IRP tool would have been used for in the past.

Condition 41

PacifiCorp shall make a showing in a rate proceeding that any additions of renewable resources to the rate base or the revenue requirement first appearing in that rate proceeding are prudent investments.

Compliance Status:

PacifiCorp, please provide compliance status. To date, PacifiCorp is in compliance with this merger condition. PacifiCorp has not requested any rate base or revenue requirement treatment in rate proceedings since November 1999 for any renewable resource costs that, for the first time, might have appeared in those rate cases. Renewable resources cost recovery requested in cases since November 1999 were for subsequent year amortized renewable resource expenditures that were purchased and approved in Utah prior to the November 1999 merger (Solar I, Dangling Rope Marina solar field). PacifiCorp's new renewable investments (Wyoming wind, etc.) are yet to come before the Commission for prudence review. PacifiCorp seems to understand that rulings on prudence of renewable resource expenditures need to be obtained prior to costs being allowed into rate base or in revenue requirement.

Condition 42

For the two years following the final approval of the merger, ScottishPower/PacifiCorp shall comply with the provisions of the merger agreement in respect of employee benefit plans.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU has no specific information on this merger condition compliance, either way, and will need to understand from PacifiCorp how it has complied with this condition.

Condition 43

ScottishPower and PacifiCorp agree to provide guaranteed merger related cost-of-service reductions for four years through an annual merger credit. The amount of the credit shall be \$12 million per year for years 2000, 2001, 2002 and 2003. The total credit in years 2000-2003 will be \$48 million. The merger credit shall be allocated among PacifiCorp's retail tariff customers on the basis of a percentage of the customer bill, exclusive of taxes. At the end of each year, the aggregate amount of credit allocated in that year shall be calculated. These calculations shall be audited by the DPU, who shall report their audit results to the Commission. In the event the

merger credit does not equal \$12 million in any of the first three years, the excess or shortfall shall be applied to the \$12 million due in the following year.

For each of the years 2002 and 2003, ScottishPower and PacifiCorp may reduce or offset the \$12 million merger credit to the extent that cost reductions related to the merger are reflected in rates.

The dates set forth in this Condition assume that the merger transaction closes in 1999. If closing is delayed, ScottishPower and PacifiCorp may adjust the dates so that the merger credit begins as soon as practicable but not later than 30 days after the closing date.

In the event that restructuring of the electricity business occurs in Utah prior to the end of the four years for payment of the merger credit, the Commission shall determine at that time how the outstanding merger credit shall be paid.

Any other terms required to implement this merger credit shall be included in the merger credit tariff for approval by the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU audits the merger credit each year with assistance from PacifiCorp's Regulatory Department (Ron Burrup with Bill Griffith) regarding updates of Electric Service Schedule No. 99. Attached is a copy of DPU's March 27, 2001 letter to the Utah PSC, a first year report on the status of the merger credit. DPU is currently working with PacifiCorp on an second year merger credit update report. PacifiCorp plans to file an advice letter with an update to Schedule 99 for PSC approval.

Condition 44

Rates in Utah shall not increase as a result of the merger.

Compliance Status:

PacifiCorp, please provide compliance status. To date, the DPU observes that PacifiCorp is in compliance with this merger condition.

Condition 45

ScottishPower and PacifiCorp agree that they shall assume all risks that may result from less than full system cost recovery if interjurisdictional allocation methods differ among PacifiCorp's various state jurisdictions. The DPU agrees to use its reasonable best efforts to reach agreement with the other state regulators as to the interjurisdiction cost allocation methodology to be recommended to the respective state commissions. In the event the state regulators are unable to reach agreement or the DPU concludes that the methodology supported by any of the other U.S. regulatory states would cause actual or perceived financial harm or inequity (on the basis of projections at that time) to the ratepayers in Utah, the DPU may support or recommend such

allocation methodology to the Commission as it determines to be appropriate. ScottishPower and PacifiCorp assume the risk of whatever allocation methodologies or decisions the Commission may adopt. In addition, ScottishPower and PacifiCorp assume all risks that may result from any difference among PacifiCorp's various state jurisdictions in respect of the conditions imposed by the different state commissions relating to this merger transaction.

Compliance Status:

PacifiCorp, please provide compliance status. Sometime after Utah went to the "full rolled in" interstate allocation method (for cost allocation of pre-merger plant) as a result of the IJA (Interstate Joint Allocation) Docket Order, PacifiCorp indicates it is not recovering all of its costs from its state jurisdictions and that they are experience what they call an "allocation hole" or allocation shortfall. Although this merger condition seems to indicate that Scottish Power and PacifiCorp accepted the risk of revenue shortfalls caused by different allocation methods adopted by its states, PacifiCorp, in its restructuring Docket, 01-035-15, is asking for a compromise allocation method called "Fair Share" in each state to solve its pre-merger plant cost allocation shortfall. This problem of PacifiCorp and Regulators is yet to be resolved.

Condition 46

PacifiCorp shall continue to comply with the procurement policy and competitive bidding requirements approved by the Commission on January 16, 1991 in Docket No. 90-2035-05, as the same may hereafter be amended by the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. To date, and since the close of the merger, the DPU has no information that might indicate that PacifiCorp is not in compliance with this merger condition in either its procurement policy and/or competitive bidding requirements. PacifiCorp presently has a Request For Proposal out for energy suppliers to provide power to meet its 2002 summer peak load requirements in Utah. The DPU may eventually be involved in auditing this RFP process and PacifiCorp's competitive award processes as power supply contracts may be awarded.

Condition 47

ScottishPower shall not change its corporate structure to form a holding company or make any other major change in corporate structure without prior notice to the Commission along with an explanation of any expected impacts of the changes on PacifiCorp or Commission regulation.

Compliance Status:

PacifiCorp, please provide compliance status. The DPU understands that PacifiCorp's corporate restructuring application in Docket No. 01-035-15 (SRP) does propose major changes in its corporate structure including creation of a holding company. (However, as reported in

PacifiCorp's December 31, 2001 Form 10 Q, PacifiCorp did an internal restructuring to transfer non-regulated businesses out of PacifiCorp that affected the capital structure. While the PSC was notified, no analysis was made about the impact of the changes on the Company.

Condition 48

PacifiCorp shall not, without the approval of the Commission, assume any obligation or liability as guarantor, endorser, surety or otherwise for ScottishPower or its affiliates provided that this condition shall not prevent PacifiCorp from assuming any obligation or liability on behalf of a subsidiary of PacifiCorp. ScottishPower shall not pledge any of the assets of the regulated business of PacifiCorp as backing for any securities which ScottishPower or its affiliates (but excluding PacifiCorp and its subsidiaries) may issue.

Compliance Status:

PacifiCorp, please provide compliance status. DPU has no information on PacifiCorp's actions (if any) regarding this condition.

Condition 49

ScottishPower and PacifiCorp agree they shall provide management and financial resources adequate to enable PacifiCorp to meet its commitments, carry out its authorized activities and comply with its public service obligations.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that, to date, PacifiCorp is generally in compliance with this merger condition.

Condition 50

In the event that PacifiCorp or ScottishPower does not comply with the above conditions, the Commission may make appropriate ratemaking adjustments to give full effect to these conditions. The Commission may exercise its authority to make, for retail ratemaking purposes, adjustments for misallocation of costs from non-regulated business to PacifiCorp or ScottishPower.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that, to date, there does not appear to have been any significant failure by PacifiCorp to meet merger conditions that would require the PSC to make ratemaking adjustments to "give full effect to these conditions" .

Condition 51

PacifiCorp and ScottishPower may request confidential treatment for any information or documents filed with the Commission, the DPU or the CCS or made available to them or their agents, in compliance with these conditions. Any request for confidential treatment will be handled as provided in the Government Records Access and Management Act, Utah Code Ann. § 63-2-101 et seq., or pursuant to a Protective Order issued by the Commission.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp has continued to request confidential treatment of information or documents filed with the PSC and has been granted that opportunity in pending and recently concluded rate proceedings.

Condition 52 (PSC's "Additional Condition" From Merger Order

“ 6. The following is adopted as an additional condition to approval of the merger:

The parties to this Docket preserve their right to raise the issue of the treatment of upstream tax savings and costs in future rate cases. All parties preserve their positions and have not waived their rights on this issue. ScottishPower commits to retain records regarding upstream tax savings and costs relating to the merger and make these records available to the DPU, CCS and other parties in accordance with Stipulation Ex. 1 and the discovery rules of the Commission.”

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that an industrial party tried to raise this issue in a recent rate proceeding and then withdrew its position. The option to raise this upstream tax savings issue in future rate cases remains. PacifiCorp appears to be in compliance with this merger condition to date.

OERP/LAWF STIPULATION

This Stipulation was executed on July 26, 1999, among Applicants, OERP [now the Utah Energy Office] and the LAW Fund. Its purpose is to address the impact of the merger on the environmental and public purpose programs. It provides that ScottishPower will produce integrated resource plans according to the current schedule and current Commission rules. ScottishPower will incorporate the recommendations of the Commission's Energy efficiency and Renewable Energy Task force in implementing its commitments to develop an additional 50 MW of renewable resources. ScottishPower will file a green resource tariff in Utah. ScottishPower will support funding for cost-effective and prudent energy efficiency in Utah.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp is involved in

many actions that may help bring itself into compliance with this multi-faceted merger stipulation but requests a detailed summary from PacifiCorp as a data response compliance statement especially since this stipulation was between PacifiCorp and other parties. IRP issues are being followed as a result of the merger case and the last two rate cases with active meetings open to all stakeholders. The 50 MW of renewable resources has been acquired and is available to power customers. Rate Schedule No. 70 is the Blue Sky green resource tariff for Utah. PacifiCorp has established additional energy efficiency programs in Utah since the close of the merger in November 1999.

CROSSROADS AND CAP STIPULATION

This Stipulation was executed on June 18, 1999, between Applicants, and Crossroads and CAP. Its purpose is to resolve all issues among the signatory parties relating to the impact of the merger on low-income customers. ScottishPower and PacifiCorp agree to work with the signatory parties and others to identify cost-effective programs that will benefit low-income customers through reduction of energy usage and improvement in customer's ability to pay current and past electric bills. Under the Stipulation, PacifiCorp will support a lifeline rate in Utah and Applicants will fund low-income initiatives in Utah for three years with shareholder funds at \$300,000 more per year than the amount spent on similar programs in Utah in 1998.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp is involved in actions that may help bring itself into compliance with this merger stipulation but requests a detailed summary from PacifiCorp as a data response compliance statement especially since this stipulation was between PacifiCorp and other parties. PacifiCorp has applied for and been granted approval of its Electric Rate Schedule No. 91 - Surcharge to Fund Low Income Residential Lifeline Program, sometimes called the HELP program.

DG&T STIPULATION

This Stipulation, executed August 2, 1999, between Applicants and DG&T, provides for discussions between Applicants and DG&T to attempt to resolve any service reliability problems at the Middleton delivery point, and follow-up efforts to implement any identified solutions.

Compliance Status:

PacifiCorp, please provide compliance status. DPU observes that PacifiCorp is involved in several actions that may help bring itself into compliance with this merger stipulation but requests a detailed summary from PacifiCorp as a data response compliance statement especially since this stipulation was between PacifiCorp and other parties. The following is quoted from a January 30, 2002 letter to the DPU from Mr. Mike Peterson, Executive Director, Utah Rural Electric Association regarding his view of the compliance status of this merger stipulation: "Please be advised that the parties continue to work cooperatively to resolve the reliability issues at Middleton. Dixie Escalante REA is constructing and financing a two mile

section of 138 kV transmission line, which will parallel UP&L's existing 69 kV transmission line, to the Red Cliff Switch point. Dixie will also purchase a 138 kV transformer and PacifiCorp will buy Dixie's interest in the existing 138/69 transformer at Middleton". (This letter was in response to the DPU's request to UREA as to its view of PacifiCorp's compliance with this merger stipulation).

LETTER AGREEMENT WITH DCED AND DBED

This letter agreement, dated August 2, 1999, is among ScottishPower, DCED and DBED. It sets forth ScottishPower's commitment to locate a senior executive in Utah. According to the letter agreement, this senior executive will report directly to the CEO of PacifiCorp, and will have broad influence over PacifiCorp's operations in Utah, including authority to approve corporate involvement in economic development and corporate citizenship activities. The letter agreement further provides that the corporate offices of PacifiCorp will remain within the states of PacifiCorp's service area, and Utah Power's headquarters will be located in Utah.

Compliance Status:

PacifiCorp, please provide compliance. DPU observes that PacifiCorp is most likely in compliance with this merger letter agreement but requests a definitive statement from PacifiCorp as a compliance statement especially since this agreement was between PacifiCorp and other parties. DPU observes that a Mr. Landels now resides and works in Salt Lake City and seems to operate as the senior executive in Utah for PacifiCorp. It would be helpful to know if Mr. Landels is the person in question in this stipulation, whether he does in fact report to the CEO of PacifiCorp, whether he is considered to have "broad influence" over PacifiCorp's operation's in Utah, etc., and whether PacifiCorp's offices in Utah are considered Utah Power's headquarters.