

January 2, 2008

Public Service Commission of Utah
Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84145

Attention: Julie P. Orchard
Commission Secretary

Re: Purchase of IBM operating system and maintenance from a Sole Source Provider

Commissioners:

In accordance with the Company's procurement policy, we hereby notify you that PacifiCorp has entered into a sole source contract with IBM for the mainframe operating system right to use charge and to provide mainframe operating system maintenance. The estimated amount of this contract is \$1,500,000 per year for a minimum of 5 years.

The customer service system application is hosted on an IBM server and IBM is the only provider of the operating system. The IBM server and operating system work in unison to provide the foundational computing infrastructure necessary to host applications. The IBM server is a PacifiCorp asset and the operating system is leased from IBM on an annual term. The annual lease, which includes a maintenance agreement, is classified as software maintenance.

This sole source procurement contract was authorized by Terry Payne, Managing Director, Enterprise Services. If you have any questions, please feel free to contact me.

Sincerely,

Jeffrey K. Larsen

Cc: Division of Public Utilities
Committee of Consumer Services