

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of
PACIFICORP for an Investigation of
Interjurisdictional Issues

Docket No. 02-035-04

STIPULATION

Introduction

The parties to this Stipulation are the Utah Division of Public Utilities, the Utah Committee of Consumer Services, the Utah Association of Energy Users Intervention Group, the Salt Lake Community Action Program, the Crossroads Urban Center, the AARP, the Federal Executive Agencies (collectively, the Utah Parties) and PacifiCorp (the Company).

On September 29, 2003, PacifiCorp initiated proceedings in Utah, Oregon, Wyoming, and Idaho seeking ratification of an Interjurisdictional Cost Allocation Protocol (Protocol) by the Public Service Commission of Utah (PSCU), the Oregon Public Utility Commission, the Wyoming Public Service Commission and the Idaho Public Utility Commission (collectively, the Commissions). The Company's Protocol filings were docketed as 02-035-04 in Utah, UM 1050 in Oregon, 20000-EI-02-183 in Wyoming, and PAC-E-02-3 in Idaho.¹

Since the filing of the Protocol, substantial discussions have occurred among interested parties in the context of what has been referred to as the Multi-State Process or MSP. As a result of discussions among the MSP parties, the Company has developed a Revised Protocol which is attached as Exhibit A to this Stipulation.

¹ The Protocol is a method of apportioning the costs and wholesale revenues associated with PacifiCorp's generation, transmission, and distribution systems among the six states in which PacifiCorp operates. If followed by all states, it would, in the long run, result in the opportunity for PacifiCorp to recover 100% of its prudently incurred costs and investments and earn its authorized rate of return. In addition it provides a forum to resolve new interjurisdictional issues should they arise.

Support of Revised Protocol

The undersigned parties hereby stipulate and agree that they will support the ratification of the Revised Protocol by the PSCU and that they will file and defend testimony supporting the use of the Revised Protocol as appropriate.

Except as otherwise provided below, PacifiCorp agrees that, until such time as the Revised Protocol is amended in accordance with its terms, all general rate case filings made by it in Utah, subsequent to PSCU ratification of the Revised Protocol, will be based upon the provisions of the Revised Protocol. Except as otherwise provided below, the Utah Parties agree that, until such time as the Revised Protocol is amended in accordance with its terms, they will support the use of the Revised Protocol for establishing PacifiCorp's Utah revenue requirement.

Support of the Revised Protocol by the undersigned is contingent upon simultaneous ratification by the PSCU, and continued support thereafter by the undersigned and the PSCU, of the following Rate Mitigation Measures that are intended to apply to calculations of the Company's Utah revenue requirement through March 31, 2014:

1. **Calculation of Utah Revenue Requirement.**

a. For all Utah general rate proceedings initiated after the effective date of this Stipulation and the Revised Protocol, and until March 31, 2009, the Company's Utah revenue requirement to be used for purposes of setting rates for Utah customers will be the lesser of: (i) the Company's Utah revenue requirement calculated under the Rolled-In Allocation Method multiplied by the Applicable Percentage (i.e., the then-applicable Rate Mitigation Cap), specified in Paragraph 2, below; or (ii) the Company's Utah revenue requirement resulting from the Revised Protocol.

b. For purposes of this Stipulation, the Rolled-In Allocation Method shall be the allocation procedures and methodologies used for purposes of interjurisdictional cost allocation in connection with the Company's last Utah general rate case, Docket No. 03-2035-02. Attached as Exhibits B and C are an explanation and an illustration of the Rolled-In Allocation Method. Future additions to Utah's revenue requirement for which there was no unique procedure or precedent under the Rolled-In Allocation Method (such as any situs assignment of costs associated with New QF Contracts, Portfolio Resources and Special Contracts or elements of any future amendments to the Revised Protocol) shall either be excluded from the comparison or used consistently in both allocation methods.

2. Rate Mitigation Caps.

In order to mitigate potential rate impacts on Utah customers, any increase in the Utah revenue requirement as a result of the implementation of the Revised Protocol shall be capped at the Applicable Percentage of the Company's Utah Revenue Requirement calculated under the Rolled-in Allocation Method for the indicated effective periods as follows:

a. 101.50 percent for the period from the effective date of the final PSCU order in the first general rate proceeding filed after the effective date of this Stipulation and the Revised Protocol, to March 31, 2007.

b. 101.25 percent for the period from April 1, 2007 to March 31, 2009.

3. Rate Mitigation Premium.

Subject to the conditions of Paragraph 4b, below, for the period from April 1, 2009 to March 31, 2012, the Company may collect a Rate Mitigation Premium as follows: the Company's Utah revenue requirement as calculated pursuant to the Revised Protocol multiplied by 100.25 percent.

4. Threshold for Continued Support of the Revised Protocol.

a. If, with respect to the Company's fiscal years 2010 through 2014, the Company's Utah revenue requirement, calculated pursuant to the Revised Protocol, exceeds or is projected by the Company in good faith to exceed 101.00 percent of the amount that would result from using the Rolled-In Allocation Method, the Company may propose a new interjurisdictional cost allocation method. All parties to this Stipulation agree to consider alternative interjurisdictional cost allocation methods in good faith and will use their best reasonable efforts to come to agreement on an amended Revised Protocol within 12 months after the Company proposes a new method.

b. Unless and until any amendments to the Revised Protocol are ratified by the PSCU, for the Company's fiscal years beginning April 1, 2009 through March 31, 2014, for all general rate proceedings, the Company's Utah revenue requirement to be used for purposes of setting rates for Utah customers will be the lesser of: (i) the Company's Utah revenue requirement calculated under the Rolled-In Allocation Method multiplied by 101.00 percent; or (ii) the Company's Utah revenue requirement resulting from the Revised Protocol, plus the Rate Mitigation Premium referenced in Paragraph 3, if applicable.

5. In the event that no final PSCU order has addressed the Company's Utah revenue requirement under the terms of this Stipulation as of the effective date of any adjustment to a Rate Mitigation Cap or Rate Mitigation Premium as specified in paragraphs 2, 3, and 4b above, the Company shall initiate a compliance filing with the PSCU sufficiently in advance of the effective date of any such adjustment, to implement the adjustment. For purposes of this compliance filing, determination of the Company's Utah Revenue Requirement under both the

Revised Protocol and the Rolled-In Allocation Method shall be calculated in conformity with the most recent applicable PSCU order.

6. The Company's semi-annual reports filed with the PSCU, the Utah Division of Public Utilities, and the Utah Committee of Consumer Services shall include calculations of the Company's Utah revenue requirement under both the Revised Protocol and the Rolled-In Allocation Method, and shall include and adequately explain all adjustments, assumptions, work papers and spreadsheet models used by the Company in making such calculations.

7. Neither revenue requirement increases to Utah resulting from the ratification of the Revised Protocol, nor impacts on the Company from Rate Mitigation Measures, will provide a basis, in and of themselves, for the Company to obtain interim rate relief.

8. Nothing herein shall in any way alter or abridge PacifiCorp's right to initiate Utah general rate proceedings when it deems it appropriate to do so.

Reservation of Right to Withdraw Support

In the event any Commission declines to ratify the Revised Protocol, or imposes any additional material conditions on ratification of the Revised Protocol, or in the event any Commission's ratification of the Revised Protocol is rejected or conditioned in whole or in part by any court, or in the event the Rate Mitigation Measures are rejected or materially conditioned by the PSCU or by any court, each signatory to this Stipulation reserves the right, upon written notice to the PSCU and to the other signatories to this Stipulation (at the addresses listed below), served no later than thirty calendar days after receiving notice from the Company of the issuance of the applicable Commission or court order, no longer to be bound by this Stipulation. If any signatory to this Stipulation exercises its right no longer to be bound by the Stipulation, any other signatory may similarly elect no longer to be bound, upon written notice to the PSCU and to the

other signatories, served no later than thirty calendar days after receipt of such other signatory's written notice.

Reservation of Rights

The signatories to this Stipulation support the use of the Revised Protocol, in conjunction with the Rate Mitigation Measures, as a solution to MSP issues and agree that ratification of the Revised Protocol and the Rate Mitigation Measures by the PSCU is in the public interest. Each party to this Stipulation agrees to support ratification and implementation of the Revised Protocol and the Rate Mitigation Measures as a whole as specified in this Stipulation, but neither this Stipulation nor the ratification of the Revised Protocol or the Rate Mitigation Measures shall in any manner affect or negate the necessary flexibility of the regulatory process to deal with changed or unforeseen circumstances, and a party's execution of this Stipulation will not bind or be used against that party in the event that unforeseen or changed circumstances cause that party to conclude, in good faith, that the Revised Protocol no longer produces results that are just, reasonable, and in the public interest. Support of the Revised Protocol or the execution of this Stipulation shall not be deemed to constitute an acknowledgement by any party of the validity or invalidity of any particular method, theory, or principle of regulation, cost recovery, cost of service or rate design and, except as expressly provided for herein, no party shall be deemed to have agreed that any particular method, theory or principle of regulation, cost recovery, cost of service or rate design employed in the Revised Protocol is appropriate for resolving other issues.

Signatures

This stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Dated this _____ day of June, 2004.

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