

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

In the Matter of the Application of PACIFICORP for Approval of Its Proposed Electric Service Schedules & Electric Service Regulations	DOCKET NO. 03-2035-02 REVENUE REQUIREMENT STIPULATION
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1. This Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to as the “Parties” and individually as “Party”).

I. INTRODUCTION

2. The terms and conditions of this Stipulation are set forth herein. The Parties represent that this Stipulation is just, reasonable and in the public interest and recommend that the Public Service Commission (the “Commission”) approve the Stipulation and all of its terms and conditions.

II. BACKGROUND

3. On May 6, 2003, the Commission issued its order establishing a procedural schedule for this case and approving a stipulation which resolved test period and rate effective date issues (“Test Period Stipulation”).

4. On May 15, 2003, PacifiCorp filed, pursuant to Commission order, an application for a rate increase of no greater than \$125 million, together with preliminary revenue requirement data. On July 31, 2003, PacifiCorp filed direct revenue requirement testimony in support of a \$128.4 million increase. On October 15, 2003, PacifiCorp filed additional direct revenue requirement testimony to update its case to reflect corrections and revisions to known and measurable adjustments. Consequently, PacifiCorp’s updated case was for a \$127.5 million

increase in base prices. However, in accordance with the Test Period Stipulation, PacifiCorp's requested rate increase remains \$125 million.

5. On November 10, 2003, the Parties exchanged, pursuant to the Test Period Stipulation, their initial lists of proposed revenue requirement adjustments. Pursuant to the Test Period Stipulation, settlement negotiations began on November 14, 2003 and continued on November 19, 20, 24 and 25, 2003. The settlement negotiations were open to all parties.

6. As a result of the settlement negotiations, the Parties have reached a global settlement of all the revenue requirement issues in this case. The net effect of this Stipulation is an average jurisdictional revenue requirement increase of \$65 million.

III. TERMS OF THE STIPULATION

7. Revenue Requirement. The Parties agree that PacifiCorp will be authorized to increase its Utah jurisdictional revenue requirement by \$65 million. PacifiCorp agrees that this stipulated increase in revenue requirement provides it with a reasonable opportunity to earn the stipulated authorized return. While the negotiations among the Parties produced an overall revenue requirement settlement, the Parties were unable to reach complete agreement on specific revenue requirement adjustments comprising the \$65 million stipulated amount.

8. Cost of Capital. The Parties agree that PacifiCorp's authorized return on common equity for purposes of this Stipulation will be 10.7 %, and its overall authorized return on Utah rate base will be 8.427 %. The capital structure used for the purposes of this Stipulation is composed of 51.55 % long-term debt, with a cost of 6.40 %, 1.41 % preferred stock, with a cost of 6.75 %, and 47.04 % common stock. The Parties' agreement to use, for the purposes of this Stipulation, this cost of equity and capital structure does not in any way affect or limit the rights of any party to argue in a future proceeding for a different cost of equity or capital structure.

9. Interim Rate Decrease. If the Commission determines in response to an application, in accordance with U.C.A. §54-7-12(3)(a), that an interim rate decrease is justified, PacifiCorp agrees that said interim decrease can become effective on the date the application was filed. PacifiCorp's agreement to use such an effective date is for purposes of this Stipulation only and shall not extend beyond PacifiCorp's next Utah general rate case.

10. Effective Date. Under the terms of the Test Period Stipulation, the rates approved in this case were to become effective on January 1, 2004, but would be collected from customers beginning on April 1, 2004. The Parties agree that, notwithstanding the terms of the Test Period Stipulation, the \$65 million rate increase will become effective on April 1, 2004. The one-year surcharge specified in the Test Period Stipulation to collect the rate increase for the period January 1, 2004 through March 31, 2004 will not be necessary and PacifiCorp waives its right under the Test Period Stipulation to collect any rate increase for the period January 1, 2004 through March 31, 2004.

11. Lead/Lag Study. PacifiCorp is currently working on a new lead/lag study. PacifiCorp agrees that it will complete and provide that study to the Parties at least 60 days prior to filing the application for its next general rate increase in Utah.

12. Line Losses Study. PacifiCorp agrees to complete and circulate a new line loss study to the Parties by April 1, 2004.

13. Fuel Procurement. PacifiCorp agrees to update its coal procurement policies and procedures by September 30, 2004. PacifiCorp agrees to discuss with the Division of Public Utilities and the Committee of Consumer Services a procedure for an independent review of PacifiCorp's mine closure and reclamation costs.

14. GRID.

(a) PacifiCorp will provide a report to the Parties of updates that are made to the Generation and Regulation Initiatives Decision Tools (“GRID”) model as they are completed to keep them apprised of the current status of the model. This will occur until such time that the Parties mutually agree that it is no longer necessary.

(b) PacifiCorp has already addressed the dispatch and commitment logic issues associated with gas-fired units in its updated GRID, version 2.2. PacifiCorp will file a report with the Parties that demonstrates that the changes result in a realistic operation of the units.

15. Management Fee. Issues regarding the allocation of management fees among PacifiCorp and its affiliates will be addressed in Docket No. 03-035-26.

16. Audit. PacifiCorp will provide the Committee of Consumer Services with the access to PacifiCorp books and records it reasonably requires to determine if PacifiCorp is earning more than a 10.7% return on equity in its Utah jurisdiction. PacifiCorp’s obligation to provide that access will begin on April 1, 2004, and shall terminate on the date a final order is issued in PacifiCorp’s next Utah general rate case.

17. Insurance Reserve. In its direct revenue requirement testimony, PacifiCorp proposed to increase its current insurance reserve balance by \$13 million to a \$25 million reserve. This increase in insurance reserve has no impact on PacifiCorp’s revenue requirement in this case and the Parties agree, for the purposes of this Stipulation, PacifiCorp can increase its insurance reserve to \$25 million.

18. Test Period Discussions. PacifiCorp, the Division of Public Utilities, the Committee of Consumer Services and other interested parties will meet to discuss the application of U.C.A. §54-4-4(3) to PacifiCorp's next Utah general rate case.

19. Obligations of the Parties. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

20. Recommendation and Support. The Parties recommend that the Commission adopt this Stipulation in its entirety. No Party shall appeal any portion of this Stipulation and no Party shall oppose the adoption of this Stipulation in any appeal filed by any person not a party to the Stipulation. PacifiCorp and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation, and other parties may make such witnesses available. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate in cross-examination and in providing testimony as necessary to rebut the testimony of opposing witnesses.

21. Reservation of Right to Withdraw from Stipulation. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by an appellate court, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding delivered no later than five (5) business days after the issuance date of the applicable Commission or court order, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to undertake any steps it deems appropriate.

22. Public Interest. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

23. Waiver. No Party is bound by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. 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 or cost recovery, and no Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

Dated this _____ day of December, 2003.

PACIFICORP

D. Douglas Larsen
Vice President, Regulation
PacifiCorp

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