

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR APPROVAL OF ITS PROPOSED ELECTRIC RATE SCHEDULES & ELECTRIC SERVICE REGULATIONS	DOCKET NO. 04-035-42 STIPULATION REGARDING REVENUE REQUIREMENT, RATE SPREAD AND RATE DESIGN
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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 herein as the “Parties”).

I. INTRODUCTION

2. The terms and conditions of this Stipulation are set forth herein. The Parties represent that this Stipulation is 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 August 4, 2004, PacifiCorp filed an application, including direct revenue requirement testimony, for a rate increase of \$111 million based on a future test period beginning April 1, 2005 and ending March 31, 2006 in this docket. PacifiCorp filed direct cost of service testimony on August 13, 2004. PacifiCorp filed direct rate design testimony on August 27, 2004. On December 3 and 6, 2004, other Parties filed direct testimony in the

revenue requirement phase of this proceeding. On January 7, 2005, other Parties filed direct and rebuttal testimony in the cost of service and rate design phase of this proceeding. In the Company's rebuttal testimony, filed on January 14, 2005, the Company reduced its requested rate relief to \$96.3 million.

4. On July 30, 2004, certain parties to this proceeding filed a Stipulation which resolved certain scheduling issues and filing dates in this proceeding ("Procedural Stipulation"). The Commission approved the Procedural Stipulation in a bench ruling at a hearing on August 20, 2004.

5. On October 8, 2004, certain parties to this proceeding filed a Test Period Stipulation ("Test Period Stipulation") that established the test period to be used for purposes of determining the Utah revenue requirement in this case and included other terms and conditions. The Commission issued an order approving the Test Period Stipulation on October 20, 2004.

6. Since this general rate case filing, the Parties have engaged in settlement discussions on revenue requirement, rate spread and rate design issues. The settlement conferences were open to all parties.

7. As a result of the settlement conferences, the Parties to this Stipulation have agreed to the revenue requirement, rate spread, rate design and other matters specified herein. The Parties submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented.

III. TERMS OF STIPULATION

8. Revenue Requirement. The Parties agree that PacifiCorp will be authorized to increase its Utah jurisdictional revenue requirement by \$51 million. The Parties have not agreed on specific revenue requirement adjustments to comprise the \$51 million stipulated amount.

9. Regulatory Assets. Certain expenses incurred by the Company have been deferred as regulatory assets on the Company's balance sheet. This Commission has previously issued orders allowing the deferral and amortization of these regulatory assets and subsequent recovery in rate proceedings. This Stipulation does not alter or impair the recovery of these regulatory assets previously deferred by Utah Commission orders under FAS 71.

10. Cost of Capital. The Parties agree that PacifiCorp's authorized return on common equity for purposes of this Stipulation will be 10.5%, and its overall authorized return on Utah rate base will be 8.365%. The capital structure used for the purposes of this Stipulation is comprised of 51% long-term debt, with a cost of 6.405%, 1.20% preferred stock, with a cost of 6.635%, and 47.80% 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.

11. Effective Date. The Parties agree that the \$51 million rate increase will become effective for service on and after March 1, 2005.

12. Revisions to Test Period Stipulation. The Parties recognize that PacifiCorp will need to exercise its managerial discretion to revise the forecasted revenues, expenses and capital investment levels included in its original filing. As a result, Parties' agreement to the terms of this Stipulation is specifically conditioned upon the Commission's approval of the two revisions to the Test Period Stipulation specified below. All Parties to the Test Period Stipulation and all Parties to this Stipulation agree that the two revisions are just, reasonable and in the public interest and should be approved by this Commission. All other provisions of the Test Period Stipulation remain unchanged and in effect.

a. Reporting. The Parties agree that Paragraph 9 of the Test Period Stipulation should be deleted and the following reporting requirement should apply:

Reporting. PacifiCorp agrees to file with the Parties by no later than May 1, 2005, a revised forecast of Utah FY06 Results of Operations for the following functional categories: steam, hydro, other production, power supply, transmission, distribution, customer service, customer accounting and administrative and general expenses. PacifiCorp further agrees to file by January 31, 2006, actual FY2006 revenue, expense, capital, customer loads and net power cost information with and without normalizing, annualizing and Commission ordered adjustments for the first six months of FY 2006 (April 1, 2005 to September 30, 2005); which information will be provided to the Parties on both a total company and Utah-allocated basis. PacifiCorp also agrees to file with all Parties by February 14, 2006, a report for the following functional categories: steam, hydro, other production, power supply, transmission, distribution, customer service, customer accounting and administrative and general expenses. The report will compare PacifiCorp's 6 months actual results (April through September 2005) and revised 6 month forecast (October 2005 through March 2006) with the revised forecasted Utah FY06 Results of Operation. Each of these six month periods (actual and forecast) will be provided separately and on a 12-month combined basis. The report will also provide an explanation of any variances that exceed 10% between the data provided and PacifiCorp's revised forecasted Utah FY06 Results of Operation. PacifiCorp agrees to meet with the Parties to discuss and explain these filings and answer questions relating to the same in February 2006.

b. Next Rate Case. Notwithstanding the provisions of Paragraph 10 of the Test Period Stipulation, PacifiCorp agrees that its next Utah general rate case will be filed no earlier than March 1, 2006.

13. Adjustment Mechanisms. The Division, the Committee and PacifiCorp agree to meet by no later than March 3, 2005 to explore power cost adjustment mechanisms and other mechanisms to protect against uncontrollable costs and unforeseen, volatile expenses. Other interested parties may also participate in this and subsequent meetings.

14. Standards for Service. The Parties agree to the establishment of a Service Quality Review Group, which will be comprised of representatives from the Division, Committee and PacifiCorp. Other interested parties may also participate in the Service Quality Review Group. The Service Quality Review Group will review PacifiCorp's Utah system performance and support as well as appropriate service quality standards and discuss ongoing investment and maintenance plans. The Parties recommend that the chair of this Review Group be appointed from the Division of Public Utilities. The Service Quality Review Group will meet no less than quarterly between now and the filing of PacifiCorp's next general rate case. The Service Quality Review Group should be directed to submit a report to the Commission explaining information obtained and analyzed, consensus positions, and any issues still in dispute no later than January 15, 2006.

15. Rate Spread and Rate Design. The Parties agree that the allocation of revenues to customer classes and rate designs to recover PacifiCorp's increased revenue requirement should be in accordance with the schedules attached to this Stipulation as Exhibit 1.

16. Cost of Service and Rate Design. The Parties stipulate and agree to the formation of a task force to discuss generation-related cost of service and cost allocation issues, customer charge and rate design issues raised but not resolved in this case, and other related issues determined by the task force to be appropriate. The Parties recommend that the chair of this task force be PacifiCorp Principal Consultant, Regulation, David Taylor. The initial meeting of the task force will be no later than April 15, 2005. Other interested parties may also participate in this task force. PacifiCorp will file with the Parties no later than March 23, 2005 an initial list of issues to be addressed by the task force. The task force should be directed to submit a report to the Commission explaining information obtained and analyzed, consensus positions, and issues still in dispute no later than November 15, 2005. Any interested party may file comments or position statements relating to the task force report by November 30, 2005.

17. Forecasting. The Parties stipulate and agree to the formation of a task force to discuss methods for forecasting revenues, expenses, rate base, and customer loads and to discuss escalation factors and indices. This task force will be comprised of representatives from the Division, Committee and PacifiCorp. Other interested parties may also participate in the task force. The Parties recommend that the chair of this task force be a representative from the Committee. The initial meeting of the task force will be no later than April 15, 2005. PacifiCorp will file with the Parties no later than March 25, 2005 an initial list of issues to be addressed by the task force. The task force should be directed to submit a report to the Commission explaining the information obtained and analyzed, consensus positions, and

issues still in dispute no later than November 30, 2005.

18. Discovery. The Parties stipulate and agree to the formation of a task force to discuss ideas to improve the efficiency of the exchange of information and discovery in cases before the Commission. This task force will be comprised of representatives from the Division, Committee and PacifiCorp. Other interested parties may also participate in the task force. The Parties recommend that the chair of this task force be PacifiCorp Director of Regulation, Rodger Weaver. The task force will work collaboratively with a filing requirement subgroup to be established as part of the Test Period Task Force established by this Commission in Docket No. 04-999-05. The initial meeting of the task force will be no later than April 15, 2005. The task force should be directed to submit a report to the Commission explaining consensus positions and issues still in dispute no later than November 30, 2005.

19. Obligations of the Parties. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation.

20. Recommendation and Support. The Parties recommend that the Commission approve and adopt this Stipulation in its entirety. If this Stipulation is approved by the Commission 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. The Company, the Division and the Committee shall make witnesses available to testify in support of 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. Prior to that election, Parties agree to meet and discuss the Commission's order or court's decision. In the event that no new agreement is reached, 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, considered together as a whole, will produce fair, just and reasonable results.

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 and shall not be deemed to constitute precedent nor prejudice the rights of any party in future proceedings. 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 February, 2005.

PACIFICORP

D. Douglas Larson
Vice President, Regulation
PacifiCorp

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