

**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 TEST PERIOD 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”).

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 a general rate case application and supporting testimony in the above-referenced docket. Through this filing, PacifiCorp requested a revenue requirement increase of approximately \$111 million, based on a future test period that began on April 1, 2005 and ended March 31, 2006.

4. Since this general rate case filing, the Parties have engaged in settlement discussions regarding PacifiCorp’s proposed test period. As a result of those discussions, the Parties have reached the agreement set forth herein.

III. TERMS OF THE STIPULATION

5. Test Period. The Parties agree that the test period to be used for purposes of determining the Utah revenue requirement in this case consists of normalized, forecasted results for PacifiCorp’s 2006 Fiscal Year, April 1, 2005 through March 31, 2006 (“Test Period”), which

is the test period filed by PacifiCorp as Exhibit JTW-1 in this case. The Parties stipulate and agree that this Test Period, as defined and qualified by this Stipulation, represents a fair and workable compromise of differing Party views for purposes of this case. The Parties also stipulate and agree that, notwithstanding their differing views on the appropriate test period, the use of this Test Period in this case satisfies the requirements of UCA §54-4-4(3), allows the Parties, pursuant to paragraph 12 of this Stipulation, to challenge any aspect of PacifiCorp's forecasts of its Test Period revenue requirement, and otherwise permits the presentation of evidence which will enable the Commission to set just and reasonable rates in this rate case.

6. No Precedent. The Parties continue to have disagreements over the appropriate test period to be used in future rate cases. The Parties agree that the terms of this Stipulation should have no future binding effect on any of the Parties or the Commission with respect to establishing which test period “best reflects” rate effective conditions in future proceedings and that the Parties have not waived any arguments in that regard in future proceedings.

7. Test Year Taskforce. The Parties hereby agree and recommend that the Commission should promptly establish a taskforce with a separate generic docket number to develop and propose rules to establish timing, evidentiary and procedural requirements to implement the provisions of UCA §54-4-4(3) regarding selection of a test period. This recommendation results from the difficulties some Parties encountered in trying to determine the best test period in this case. The Parties recommend that the Commission order the Taskforce to consider, without limitation, issues such as: (1) the evidence that is necessary and sufficient in order for the Commission to be able to properly determine the test year in a particular rate case; (2) the need for and timing of a test year hearing; (3) how to develop a sufficient record such that the Commission can “select a test period that, on the basis of evidence, [it] finds best reflects the

conditions” in the new rate effective period (UCA §54-4-4(3)(a)); and (4) how the Commission should interpret and implement the factors to be considered in selecting a test period. The Parties recommend the Commission order that the Taskforce first convene no later than November 1, 2004, and meet thereafter as often as necessary in order to finalize and present to the Commission no later than April 1, 2005, a consensus report and proposed rules regarding the implementation of UCA 54-4-4(3). If the Taskforce does not reach a consensus position, Parties who elect to do so shall file individual proposed rules and/or reports with the Commission no later than April 1, 2005.

8. Filing Obligation In Next Rate Case. In the event the Commission has not resolved all of the issues described in paragraph 7 by October 1, 2005, PacifiCorp, the Division of Public Utilities, the Committee of Consumer Services and other interested parties will meet to discuss the information to be filed and the test year to be used in PacifiCorp’s next Utah general rate case. If PacifiCorp and the parties participating in these discussions are unable to reach agreement on a test year on which to file the next Utah general rate case, PacifiCorp agrees it will file with its general rate case filing the following data: (a) a historical 12-month period ending September 30, 2005 (or ending March 31, 2006, if PacifiCorp files its next general rate case after July 31, 2006) with in-period annualization and normalization adjustments; (b) adjustments to the historical data to reflect a forecast for the period that ends approximately but no more than 12 months from the date of filing; and (c) adjustments to the historical data to reflect a forecast for the period that ends no more than 20 months from the date of filing. PacifiCorp agrees to provide information, data and supporting documentation and models, including net power cost calculations, for the periods identified in paragraph 8 (a), (b) and (c) above.

9. Reporting. PacifiCorp agrees to file with the Parties by December 1, 2005 actual FY2006 revenue, expense, capital, customer loads and net power cost information (without normalizing, annualizing or Commission-ordered adjustments) for the first six months of FY 2006 (April 1, 2005 to September 30, 2005). The above 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 December 15, 2005, 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 6 month forecast (October 2005 through March 2006) with the Commission's Joint Numerical Exhibit and PacifiCorp's original filed forecast. 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 original filed forecast. PacifiCorp agrees to meet with the Parties to discuss and explain these filings and answer questions relating to the same in December 2005.

10. Next Rate Case. In order to give the Parties adequate time to review the information discussed in Paragraphs 8 and 9 prior to the Company's next general rate case filing, PacifiCorp agrees that its next Utah general rate case will be filed no earlier than January 1, 2006.

11. Force Majeure. Notwithstanding the provisions of Paragraph 10, the Parties agree that if a major PacifiCorp generation or transmission asset fails due to a force majeure event beyond PacifiCorp's reasonable control, PacifiCorp may, prior to January 1, 2006, seek deferral of any additional costs it incurred to acquire electricity to replace lost capacity or energy because

of such failure and initiate a proceeding to recover such deferred costs; provided that any such deferred costs exceed \$44 million on a Utah-allocated basis over that which is then being recovered in rates. All Parties reserve all rights with respect to any such filing for recovery including but not limited to the right to challenge whether PacifiCorp was prudent, whether recovery of any such deferred costs is just and reasonable and whether PacifiCorp has made the necessary showing to recover the deferred costs under Utah law.

12. No Waiver. By agreeing to the terms of this Stipulation, the Parties do not waive their rights to challenge any aspect of PacifiCorp's forecasts of its Test Period revenue requirement, including any models, price indices, or historical / budgeted cost and revenue data upon which the forecasts are based. Parties to the Stipulation are not precluded from taking any position or advocating for any methodology for calculating values for any account or any amount in the Test Period.

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

14. 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 and the Division 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.

15. 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.

16. 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.

17. 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 October, 2004.

PACIFICORP

D. Douglas Larson
Vice President, Regulation
PacifiCorp

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