

4. Pursuant to the Commission's Order No. 1, Prehearing Conference Order, representatives of the Parties met on October 13 and engaged in initial settlement discussions with a view toward resolving the Application in this case. Subsequent discussions were held on October 21, October 26, November 1, December 16, December 19, January 4 and January 6.

5. Based on these discussions, the Parties have reached agreement on proposed commitments that would provide a basis upon which the Parties could recommend approval of the Transaction in Washington.

6. The Parties wish to present their agreement for the Commission's consideration. The Parties therefore adopt the following Stipulation, which is entered into by the Parties voluntarily to resolve matters in dispute among them in the interests of expediting the orderly disposition of this proceeding. The Stipulation is being filed with the Commission as a "Full Settlement" pursuant to WAC 480-07-730(1).

III. TERMS OF THE STIPULATION

7. Appendix A contains the complete list of Commitments that Applicants collectively and individually agree to make in exchange for the support of the Parties in this proceeding (hereinafter referred to as "Commitments"). The Commitments comprise two categories of commitments: commitments entered into by the Applicants applicable to all the states in which PacifiCorp's service territory extends and Washington-specific commitments which apply only to the activities and operations of Applicants within Washington. By virtue of executing this Stipulation, the Applicants agree to perform all of the Commitments set forth in Appendix A according to the provisions of each Commitment as set forth therein.

8. In the process of obtaining approvals of the Transaction in other states, the Commitments may be expanded or modified as a result of regulatory decisions or settlements. In developing this Stipulation, the Parties considered, and agreed upon adoption of various commitments from, the stipulations entered into by Applicants in approval proceedings in the states of Utah, Oregon, Idaho, and California. The Applicants agree that the Commission shall

have an opportunity and the authority to consider and adopt in Washington any commitments or conditions to which the Applicants agree or with which the Applicants are required to comply in other jurisdictions, even if such commitments and conditions are agreed to after the Commission enters its order in this docket. To facilitate the Commission's consideration and adoption of the commitments and conditions from other jurisdictions, the Parties urge the Commission to issue an order accepting this Stipulation as soon as practical, but to reserve in such order the explicit right to re-open Appendix A to add (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Washington) commitments and conditions accepted or ordered in another state jurisdiction. To provide input to the Commission to facilitate a prompt decision regarding the desirability or lack of desirability for these out-of-state commitments and conditions to be adopted in Washington, the Parties agree to and recommend the following process:

- Within five calendar days after a stipulation with new or amended commitments is filed by the Applicants with a commission in another state jurisdiction, Applicants will send a copy of the stipulation and commitments to the Parties.
- Within five calendar days after a commission in another state jurisdiction issues an order that accepts a stipulation to which Applicants are a party or otherwise imposes new or modified commitments or conditions, that order, together with all commitments and conditions of any type agreed to by Applicants or ordered by the commission in such other state, will be filed with the Commission and served on all Parties by the most expeditious means practical. Within ten calendar days after the last such filing from the other states ("Final Filing"), any Party wishing to do so shall file with the Commission its response, including its position as to whether any of the covenants, commitments and conditions from the other jurisdictions (without modification of the language thereof except such non-substantive changes as are necessary to make the commitment or condition applicable to Washington)) should be adopted in Washington. Within five calendar days after any such response filing, any

Party may file a reply with the Commission. The Parties agree to support in their filings (or by representation of same by MEHC) the issuance by the Commission of an order regarding the adoption of such commitments and conditions as soon as practical thereafter, recognizing that the transaction cannot close until final state orders have issued.

9. Not later than the Final Filing, MEHC and PacifiCorp will disclose to the Parties any written commitments, conditions or covenants made in another state jurisdiction (between the date of the filing of the Stipulation and the receipt of the last state order in the transaction docket) intended to encourage approval of the transaction or avoidance of an objection thereto.

10. The Parties agree that with the commitments set forth in paragraphs 7 through 9 above, including those in Appendix A, the Transaction meets the public interest standard under RCW 80.12.020 and WAC 480-143-170 for approval in Washington. The Parties therefore agree to support this Stipulation as a settlement of all issues in this proceeding and to recommend approval of the Transaction. The Parties encourage the Commission to enter a final Washington approval order by February 28, 2006. The Parties understand that this Stipulation is not binding on the Commission in ruling on the Application.

11. The following provision, applicable only to the Parties, will become effective upon the closing of the Transaction: Through December 31, 2011, MEHC and PacifiCorp will both confer with the Parties and provide drafts in a timely manner prior to introducing legislation in the Washington Legislature that would impact Washington utility regulation.

12. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By executing this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of this Stipulation, nor shall any Party be deemed to have agreed that any provision of this Stipulation is appropriate for resolving

issues in any other proceeding, except those proceedings involving the enforcement or implementation of the terms of this Stipulation.

13. Applicants acknowledge that the Commission's approval of the Stipulation, the Commitments or the Joint Application shall not bind the Commission in other proceedings with respect to the determination of prudence, just and reasonable character, rate or ratemaking treatment, or public interest of services, accounts, costs, investments, any particular construction project, expenditures or actions referenced in these Commitments.

14. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall cooperate in developing supporting testimony as required by WAC 480-07-740(2)(b). The Parties agree to support the Stipulation throughout this proceeding, provide witnesses to sponsor such Stipulation at a Commission hearing (if necessary), and recommend that the Commission issue an order adopting the settlements contained herein. In the event the Commission rejects this Stipulation, the provisions of WAC 480-07-750(2)(a) shall apply; provided, however, that with respect to the status of the proceeding at the time of the Stipulation, the Parties agree that the "time for completion of the hearing" under WAC 480-07-750(2)(a) shall refer only to the preparation and submission of closing briefs. In the event the Commission accepts the Stipulation upon conditions not proposed herein, each Party reserves the right to seek reconsideration of the decision. The Parties recommend that the Commission allow replies to any request for reconsideration, and that the deadline for such replies be set at seven (7) days. The Parties agree that their right to seek reconsideration is their sole remedy in the event the Commission accepts the Stipulation upon conditions not proposed herein and, that in such circumstance, the provisions of WAC 480-07-750(2)(a) shall not apply.

15. The Parties agree: (1) to provide all other Parties the right to review in advance of publication any and all announcements or news releases that any other Party intends to make about the Stipulation (with the right of review to include a reasonable opportunity to request changes to the text of such announcements), and (2) to include in any news release or

announcement a statement that Staff's recommendation to approve the Stipulation is not binding on the Commission itself.

16. Subject to Paragraph 17 of this Stipulation, the effective date of this Stipulation shall be the date of the closing of the Transaction.

17. The obligations of the Applicants under this Stipulation are subject to the Commission's approval of the Application in this docket on terms and conditions acceptable to the Applicants, in their sole discretion, and the closing of the Transaction.

This STIPULATION is entered into by each Party as of the date entered below.

DATED: January ___, 2006.

MidAmerican Energy Holdings Company

**Staff of the Washington Utilities and
Transportation Commission**

By _____
Mark C. Moench
Senior Vice President, Law

By _____
Robert D. Cedarbaum
Senior Counsel

PacifiCorp

Industrial Customers of Northwest Utilities

By _____
D. Douglas Larson
Vice President, Regulation

By _____
Melinda Davison
Davison Van Cleve

**Office of the Attorney General
Public Counsel Section**

The Energy Project

By _____
Shannon Smith
Assistant Attorney General

By _____
Brad Purdy
Attorney at Law