



2007 Annual Incentive Plan

Introduction and Objectives

PacifiCorp's Annual Incentive Plan provides performance awards based on the following: achieving the goals of PacifiCorp, Pacific Power, Rocky Mountain Power and PacifiCorp Energy; individual performance; company management of risk and safety; and success in addressing new issues and opportunities that may arise during the course of the year. Awards will be made based upon measurable achievement of results. Achievement will be measured by senior management. This approach supports the philosophy of incentive compensation as pay at risk that is earned based on the company, business unit and individual performance.

Plan Details

Eligibility

- ❑ All regular, full- and part-time nonrepresented employees of PacifiCorp are eligible to participate in the Annual Incentive Plan (AIP).
- ❑ A participant must be employed in an incentive-eligible position as of Sept. 1, 2007, to be eligible to receive an award. Any employee hired after Sept. 1, 2007, will not be eligible.
- ❑ Employees who are employed for less than the plan term due to retirement, disability or death will be considered eligible.
 - Employees who are on a qualified leave during the plan term will be eligible for participation in the plan.
- ❑ Employees who are terminated for cause, voluntarily resign, are affiliated with the Hiring Hall, are contractors or are bargaining unit employees are ineligible for participation.

Please note:

- *Award recipients who are "inactive" but eligible (retirees/displaced/deceased) can expect to receive their awards approximately two weeks after active employees.*
- *Bargaining unit employees who transfer into incentive-eligible positions must have been employed in their incentive-eligible positions as of Sept. 1, 2007, in order to be eligible for participation.*
- *Those transferring from bargaining unit to incentive-eligible positions will have their awards calculated based on eligible earnings while in incentive-eligible positions only. (Eligible earnings accumulated while occupying bargaining unit jobs will NOT be considered as eligible earnings for the purposes of incentive payment.)*

Plan Term

The plan term is Jan. 1, 2007 through Dec. 31, 2007.

Plan Components

Incentive awards are structured to achieve a target incentive payout. Target award percentages are based on job classification derived from competitive market data.

All participants will have an award opportunity based upon company, business unit and individual performance as measured and assessed by senior management.

Company and business unit performance will be evaluated based on meeting objectives established in operating and business plans and the organization's success in responding to unexpected events.

Any additional changes for individual performance will be reviewed by each president (business unit leader) and a final decision made in collaboration with senior management prior to final award determination.

Eligible Earnings

Awards under the plan will be based on eligible earnings as described below:

- Regular pay
- Overtime pay
- 401(k) pre-tax employee deferrals
- Pre-tax insurance plan contributions and reimbursement account contributions

Please note:

- Bonuses of any kind are not considered part of eligible earnings for the purposes of AIP calculation.

Payment of Awards

Payment is targeted for Dec. 15, 2007. AIP awards will be paid as soon as practicable following approval.