

August 2, 1999 Stipulation - Attachment No. 1  
Scottish Power/PacifiCorp (Proposed Treatment of Merger Related Costs)

<b>SCOTTISH POWER/PACIFICORP - PROPOSED TREATMENT OF MERGER RELATED COSTS</b>						
<b>Cost Item</b>	<b>\$</b>	<b>Above the Line</b>	<b>Below the Line</b>	<b>Ref.</b>	<b>Comment</b>	
Goodwill	1,800m (£1124.7m)		X	SP Listing Particulars page 107	Goodwill represents the difference between the purchase price and fair value of the net assets of PacifiCorp. Goodwill is sometimes referred to as the acquisition adjustment for accounting purposes. The calculation of goodwill varies with fluctuations in ScottishPower share price.	
Acquisition Costs 1)Share Issues Costs 2)Preferred Stock Redemption 3)Investment, legal, accounting, etc. Total Acquisition Cost	10.4m (£6.5m) 26m (£15m) 109m 239m		X X X X	SP Listing Particulars pages 107 & 145	This is an estimate only. However, all such costs incurred directly in completing the acquisition will be charged below the line.	
Preferred Stockholder Merger Approval Payments	2.5m (maximum)		X	PC Proxy Statement page 138	Special payments made to preferred Stockholders of 1% to obtain merger approval.	
Payments to Directors	0.4m		X	SP Listing Particulars page 166	\$50,000 payment made to non-executive directors.	
Change in Control 1)Enhanced Executive Severance 2)PacifiCorp Stock Plans 3)Supplemental Executive Retirement Plan (SERP)	8.3m (maximum) minimal cost 2.6m		X X X	SP Listing Particulars page 163-165	Only enhanced payments resulting from the application of change in control conditions are included. To the extent that a net benefit in costs going forward can be demonstrated then such costs will be treated above the line. Final change in control costs can only be determined 24 months after closure. Numbers quoted are upper limit amounts if all eligible employees receive maximum amounts due. They include payments due to two executives who have already retired. There is no material cost associated with PacifiCorp employee stock option provisions.	
Retention Incentive Payments	7m (maximum)		X	SP Listing Particulars page 166, WIEC 3.5	Payments to retain key employees during period prior to merger completion.	
Bonus Pool - Merger related portion	Not known		X	SP Listing Particulars page 166	To the extent that any such payments are made in connection with "extraordinary efforts" to accomplish the successful completion of the merger only. No quantification of this portion can be determined at this time.	

**APPENDIX 5**

(logo)  
**Scottish Power Inc**

**Alan Richardson**  
Chief Executive Officer

August 3, 1999

Mr. David Winder  
Executive Director  
Dept. of Community and  
Economic Development  
State of Utah  
324 S. State Street, Suite 500  
Salt Lake City, UT 84111

Mr. Rick Mayfield  
Director  
Division of Business and  
Economic Development  
State of Utah  
324 S. State Street, Suite 500  
Salt Lake City, UT 84111

Dear Mr. Winder and Mr. Mayfield

I am writing to you following several discussions we have had since Mr. Winder's testimony was filed on 18 June. I have always found these discussions useful and constructive and believe it would be helpful if I set down ScottishPower's intended approach on several matters following approval of the proposed merger with PacifiCorp.

**Utah Presence**

1. I believe you well understand ScottishPower's commitment to all its customers and communities. We have always intended to provide strong leadership in Utah, particularly given the very significant customer base and broad range of assets in the State. In recognition of this, ScottishPower will relocate a senior executive from the Group to take up residence in Utah. The executive will report directly to the CEO of PacifiCorp. As a member of the executive team, this person will have broad influence over PacifiCorp's operations in Utah including, but not limited to, authority to approve corporate involvement in economic development and corporate citizenship activities. The executive will be able to assure the best decisions in the interests of Utah.

2. This executive will provide a strong ScottishPower presence in Utah, setting a high standard and representing Utah Power and Light in all communities across the state. For the medium-to-long term, the executive will need to groom a successor so that there is a good guarantee of successful representation well into the future.

3. The corporate offices of PacifiCorp will not be moved outside the states of PacifiCorp's service area and the Utah Power & Light Division headquarters will be located in Utah. ScottishPower will strengthen the Utah presence of PacifiCorp and in this regard, will

work towards having a fair proportionality compared to other PacifiCorp service areas, insofar as is commercially reasonable. We confirm that we view Utah as a location from which to base new opportunities for the future.

4. ScottishPower plc will endeavor to maintain on its Board of Directors a non-executive director from the Utah Power service area.

### **Economic Development**

5. ScottishPower's instincts and track record are to support economic development in some depth. I understand very well from my discussions with you, Mr. Winder, your Board, and others that this is a major consideration. At this time, I am not able to be specific on just how we will deliver support in this important area. However, I am very clear in my mind that this will be a significant task for the senior executive mentioned above, and that economic development staff in Utah will report directly to that executive. We will make a strong commitment to economic and community development the details of which will be completed by a transition team after the completion of the merger. We will work closely with your Department to ensure success in this area.

6. I would intend that there will be increased support of Utah businesses and that, where commercially reasonable, and to the extent permitted under the procurement policy of PacifiCorp which has been approved by the Commission, those businesses will be considered favorably to supply goods and services to PacifiCorp.

### **PacifiCorp Foundation**

7. I well understand your comments that the allocation of grants from the Foundation should be equitable. At present, ScottishPower is twice removed from the Foundation, because it is independent of PacifiCorp, who are themselves still not yet part of ScottishPower. Following completion of the merger, I intend to work with the Foundation to agree on rules that assure equitable treatment across the service territories of PacifiCorp and provide for open reporting of the allocation of funds from the Foundation. I do have a concern that the Foundation Board is not constrained in its ability to make good decisions by a slavish adherence to strict allocation rules but it should target an equitable allocation over the period of a few years.

### **General**

8. ScottishPower and PacifiCorp will work with the aim of ensuring that resources and attentions given to Utah in the following areas shall be just and proportional when compared to any other area or jurisdiction in which PacifiCorp operates:

- Foundation gifts
- Training
- Representation on boards and committees
- Economic development