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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of  
PacifiCorp and Scottish Power plc for an  
Order Approving the Issuance of  
PacifiCorp Common Stock

JOINT  
APPLICATION

Docket No. \_\_\_\_\_

PacifiCorp ("PacifiCorp") and Scottish Power plc ("ScottishPower") (jointly, the "Applicants") hereby request an order of the Public Service Commission of Utah ("Commission") approving the issuance of PacifiCorp common stock incidental to the transaction described more fully in the Agreement and Plan of Merger between ScottishPower and PacifiCorp (the "Agreement"), attached as Appendix 1. Applicants also hereby provide notice of this transaction pursuant to the Commission's September 28, 1988 Order in Docket No. 87-035-27.

Pursuant to the Agreement, at the closing of the transaction, an indirect, wholly-owned subsidiary of ScottishPower will merge with and into PacifiCorp, with

PacifiCorp continuing in existence as the surviving corporation. As a consequence, PacifiCorp will become a wholly-owned subsidiary of ScottishPower.

The principal advantages of this transaction, discussed more fully below, are:

- It is simple. The transaction involves a change in PacifiCorp's shareholders and not a consolidation of operating utilities.
- ScottishPower is a strong and capable partner, with significant experience in operating utility businesses.
- ScottishPower will support and enhance PacifiCorp's focus on its core business. Benefits of this renewed focus will be better customer service, reliability, community and employee relations and environmental stewardship.
- The efficiencies to be gained from this transaction will in time lead to customer prices that are lower than they would be without the transaction.

## I.

### **JURISDICTION**

This Application is filed pursuant to Utah Code Ann. 54-4-31. Utah Code Ann. 54-4-31 requires Commission approval for the issuance of a security by an electrical corporation.

## II.

### **APPLICANT INFORMATION**

#### **A. Persons Authorized to Receive Notice**

The exact name and address of Scottish Power's principal business office are as follows:

Scottish Power plc  
1 Atlantic Quay  
Glasgow  
SCOTLAND, G2 8SP

Scottish Power is a public limited company registered in Scotland.

Persons authorized on behalf of Scottish Power to receive notices and communications with respect to this Application are:

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**B. Description of ScottishPower**

ScottishPower was incorporated in Scotland in 1989. ScottishPower is a leading multi-utility business in the United Kingdom with approximately 5 million customers in three distinct geographic areas across Scotland, England and Wales. ScottishPower's activities span electricity generation, transmission, distribution and supply, water and waste water services, gas supply, telecommunications, retailing of electrical appliances and technology and contracting services. ScottishPower and its subsidiaries comprise one of the largest industrial groups in the U.K.

ScottishPower and its predecessors have provided electric service to the public for over 100 years. Prior to 1991, ScottishPower was a U.K. government-owned utility. In June 1991, ScottishPower was privatized by the U.K. government and its common shares were offered to the public. It has grown from a Scottish regional generator, distributor and supplier of electricity into a leading U.K. multi-utility business serving one in five of Britain's homes. This is due in large part to the acquisition in 1995 of Manweb

plc, one of the twelve regional electricity companies created when the electric utility industry in England and Wales was restructured in 1990, and its acquisition in 1996 of Southern Water plc, one of the ten large water and waste water service companies created when the water and waste water industry in England and Wales was privatized in 1989. Both of these acquisitions have allowed ScottishPower to increase its customer base (by 1.3 million customers in the case of Manweb and 1.7 million customers in the case of Southern Water), geographic diversification and product base.

The U.K. electric industry was restructured in March 1990 to introduce competition. The final part of this process, including the residential electricity supply market, began to open to full competition in September 1998, and is scheduled to be complete by June 1999. ScottishPower and Manweb have been among the leaders in the industry in developing the systems required to deliver full market liberalization. As a consequence, they were two of the first four companies ready for the first stage of the opening of the competitive electricity market in September 1998. They were also at the forefront of the gas liberalization process which was fully opened to competition by May 1998. In addition, the group's metering business has been restructured in readiness for the removal of franchise markets and full liberalization of supply.

In addition to Manweb and Southern Water, ScottishPower's businesses include Generation Wholesale, Power Systems, Energy Supply, ScottishTelecom, and other related businesses.

The Generation Wholesale business operates ScottishPower's generating stations and deals in the wholesale trading of electricity and gas. ScottishPower owns coal, hydroelectric and wind generating facilities with a net available capacity of 3,500 megawatts. ScottishPower's engineers have a proven record of innovation, the most recent example being the installation in one unit of a unique gas injection system or "gas reburn" which boosts combustion as well as reduces emissions of oxides of nitrogen. ScottishPower does not own any nuclear generating stations. ScottishPower has combined resources, including purchased power, of approximately 6,400 MW.

ScottishPower's Power Systems business is responsible for the distribution and transmission network in the ScottishPower franchise area and the distribution network in the Manweb franchise area. Power Systems currently operates 62,000 kilometers of underground cables and 50,000 kilometers of overhead lines. Power Systems also provides a complete range of metering services.

The Energy Supply business is responsible for the sales and marketing of electricity, gas and related products to customers within ScottishPower's and Manweb's respective franchise areas and to the competitive market throughout the rest of the U.K. Energy Supply sells electricity to 1.9 million customers in Scotland and manages the associated customer service, billing and income collection.

Manweb is the regional electricity company in northwest England and north Wales. It serves approximately 1.3 million electricity customers.

Southern Water provides water supply services to 2.2 million people, representing some 1 million premises, in its franchise area in the South East of England. This represents some 603 million liters of water per day. The company carries out wastewater treatment for 4.2 million people, representing some 1.7 million

premises, in the franchise territory.

ScottishTelecom, a subsidiary of ScottishPower, provides a wide portfolio of communication services ranging from fixed voice, data and mobile services to call center services, on-line information and Internet access.

ScottishPower also has developed businesses in a number of related areas. ScottishPower's electrical appliance retailing business is the third largest supplier of electrical appliances in the U.K. The business sells electrical products through a chain of 181 stores throughout the U.K. ScottishPower's Contracting Services business specializes in the installation and maintenance of high voltage equipment, residential heating, street lighting, security and fire alarms, and appliance installation and inspection. The Technology business specializes in engineering consulting and science, including design and construction of buildings, plant and components, and the development of sophisticated control systems and monitoring devices.

### **C. ScottishPower's Financial Strength**

ScottishPower has considerable financial strength. Measured by market capitalization of over \$12 billion, it is among the 25 largest investor-owned electric utilities in the world. For its fiscal year ended March 31, 1998, it had assets of approximately \$9 billion, shareholder equity of approximately \$2.75 billion and annual revenues of approximately \$5 billion.<sup>1</sup> ScottishPower maintains a strong financial

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<sup>1</sup> These figures assume an exchange rate of 1.6 U.S. dollars per Pound Sterling.

position through significant internal cash flow generation and a conservative balance sheet. ScottishPower financial reports are included in Appendix 2.

#### **D. Background of Key Personnel**

The Chairman and current executive board members of ScottishPower consist of the following individuals:

Murray Stuart joined the Board in March 1990 and was appointed Chairman in August 1992. He is a non-executive director of The Royal Bank of Scotland plc and of Willis Corroon Group plc and Chairman of Intermediate Capital Group plc. He was awarded the CBE in 1995 for his services to the Audit Commission, of which he was Deputy Chairman. He is Chairman of the Hammersmith Hospitals NHS Trust and also serves on the Meteorological Committee and on the Private Finance Initiative Panel as the member for Scotland.

Ian Robinson was appointed Chief Executive in 1995. He was previously with Trafalgar House plc where he was Chief Executive of its engineering division and a main Board director. He is a Fellow of the Royal Academy of Engineering, a Fellow of the Institution of Chemical Engineers, and a member of the Senate of the UK Engineering Council. He is a non-executive director of Asda Group plc and also serves as a member of the President's Committee of the Confederation of British Industry. In July 1997 he was appointed Chairman of the Scottish Advisory Task Force on Welfare to Work.

Ian Russell was appointed Finance Director in 1994 and Deputy Chief Executive in 1998. He is a member of the Institute of Chartered Accountants of Scotland, having trained with Thomson McLintock, and has held senior finance positions with Hong Kong and Shanghai Banking Corporation and Tomkins plc. His role encompasses both the

financial direction of the company and its corporate strategy, together with responsibility at Board level for the company's information systems and corporate affairs. He is also Chairman of Southern Water plc and ScottishTelecom. He is a non-executive director of Scottish Investment Trust plc and Scottish Knowledge plc.

Ken Vowles joined ScottishPower in September 1990 and was appointed to the Board in 1994. He is Executive Director Generation and Energy Trading and is responsible in that capacity for the company's Generation Wholesale and Technology businesses, including the Energy Trading Center, and at corporate level for safety and environmental policy. He has over 30 years' experience in the power generation industry, having previously served with the Central Electricity Generating Board and with National Power plc. He is a Fellow of the Institution of Electrical Engineers, a Fellow of the Institution of Mechanical Engineers and a Member of the Institute of Management. He is also President of Scottish Engineering, an independent employers' organization.

Duncan Whyte has been a director since 1990, having previously been appointed Finance Director of the South of Scotland Electricity Board in 1988. In 1993, he became the Chief Operating Officer, responsible for the core electricity businesses; then, in 1995, he was appointed Executive Director Strategic Development, and, in 1996, Executive Director Multi-Utility. In this latter capacity, he is now responsible for the company's multi-utility strategy, including its developing businesses in electrical retailing and contracting, and is chairman of Manweb plc. He also retains overall responsibility at Board level for all regulatory matters. He was appointed as a non-executive director of Motherwell Bridge Holdings Limited in 1997. He is a Member of the Council of the Institute of Chartered Accountants of Scotland, and was formerly a

managing partner in Scotland of Arthur Andersen and Finance Director of Kwik-Fit Holdings plc.

In addition, the following individuals are members of the senior management of ScottishPower:

Alan Richardson joined ScottishPower in 1991 and is Managing Director, Power Systems and the proposed PacifiCorp Chief Executive Officer. He is responsible for the transmission and distribution of electricity to customers in the ScottishPower franchise area and the distribution network in the Manweb franchise area. Mr.

Richardson spent a large part of his career with A. Reyrolle and Company and later with the Bushing Company, where he became Director and General Manager. He joined Reyrolle Switchgear as Director and General Manager and in 1990 joined ABB Power before moving on to Scottish Power the following year. In November 1997, Mr. Richardson, a visiting professor at Strathclyde University in Glasgow, was honored for his contribution to the electricity supply industry, receiving a "Lifetime Achievement Award" sponsored by the Transmission & Distribution World magazine. He is a member of the Glasgow Development Authority, which plans and implements major capital improvements in the City of Glasgow.

Robert Green is the Group Controller of ScottishPower. He joined ScottishPower in 1991, just after privatization. He is a qualified accountant with extensive previous experience working in Hong Kong and for companies such as ITT, ADT and Rank. In ScottishPower, he has held a variety of senior financial posts including finance director of Manweb plc before being appointed as Group Controller in 1996.

Murray Stuart will continue to serve as Chairman of ScottishPower and, following

the closing of the transaction, Keith McKennon will be recommended to serve as Deputy Chairman of ScottishPower and Richard O'Brien will serve as President and Chief Operating Officer of PacifiCorp.

Keith McKennon is the Chairman, Chief Executive Officer and President of PacifiCorp. Mr. McKennon has been a director of PacifiCorp since November 1990, and was elected Chairman in 1994. Mr. McKennon became President of Dow Chemical, USA in 1987. He became Executive Vice President of Dow in 1990, and in 1992 retired from Dow to become Chairman and CEO of Dow Corning. He has served as a director of several Fortune 500 companies. He also served as Chair of the National Legal Center for the Public Interest in Washington, D.C. and as a member of the President's Commission on Patent Law Reform during the Bush Administration. Mr. McKennon received the Society of Chemical Industry Gold Medal in 1992.

Richard O'Brien is Executive Vice President and Chief Operating Officer of PacifiCorp. He joined PacifiCorp in 1983, was appointed Vice President of PacifiCorp in 1993 and Chief Financial Officer in 1995. Mr. O'Brien served as Senior Vice President, Treasurer and Chief Financial Officer of NERCO, a former mining and resource development subsidiary of PacifiCorp. He worked at NERCO from 1983 until his appointment to Vice President of Corporate Finance for PacifiCorp in 1993. He is a graduate of the University of Chicago with a bachelor's degree in economics. He also earned a law degree from Lewis and Clark College, Northwestern School of Law, in Portland, Oregon.

### III.

#### **DESCRIPTION OF TRANSACTION**

Pursuant to the Agreement, upon the closing of the transaction, an indirect, wholly-owned subsidiary of ScottishPower ("Merger Sub") will merge with and into PacifiCorp, with PacifiCorp continuing in existence as the surviving corporation.

Article II of the Agreement provides for the outstanding common shares of PacifiCorp to be converted into the right to receive, at the option of the holders of such shares, either newly issued ordinary shares of ScottishPower or newly-issued ordinary shares of ScottishPower represented by American Depositary Shares of ScottishPower and evidenced by American Depositary Receipts. This Article describes a mechanism for a cash payment for fractional shares of PacifiCorp. The purchase of fractional shares will be paid by ScottishPower. The transaction contemplates no additional borrowings by ScottishPower.

As described in Article II, as of the closing of the transaction, the outstanding shares of Merger Sub will be canceled and PacifiCorp will issue to an entity indirectly and wholly-owned by ScottishPower an equal number of shares with the same rights, powers and privileges as the canceled Merger Sub common stock.

As a result of this transaction, PacifiCorp will become a wholly-owned subsidiary of ScottishPower.

Unlike the PacifiCorp and Utah Power merger, the transaction does not involve a consolidation of two operating utilities. After the closing of the transaction, PacifiCorp will continue to exist and provide service to Utah customers subject to the jurisdiction of the Commission.

#### **IV.**

#### **PUBLIC INTEREST CONSIDERATIONS**

The transaction will serve the public interest. The Commission will continue to exercise its regulatory authority over PacifiCorp, thereby ensuring continued protection of the interests of Utah customers. ScottishPower does not have other operations in the U.S.; consequently, this transaction does not present the potential for cost shifting, revenue loss or diminution of energy supplier competition. The Commission's continued regulatory oversight further ensures that there are no significant risks or potential harms to PacifiCorp's customers resulting from the transaction.

ScottishPower has over time developed constructive relations with its regulators and has performed to expectations in the areas of price levels, customer protections, quality of service, safety, and reliability.

It is through the performance of PacifiCorp that the public interest will be advanced. The combination of PacifiCorp and ScottishPower will result in:

- A financially stronger company than PacifiCorp standing alone;
- High-quality customer service;
- Continued commitment to the community;
- A high level of environmental stewardship;
- Maintenance of the Pacific Power/Utah Power identities; and
- A continuing commitment to the welfare of employees.

In time, the efficiencies to be gained from this transaction will lead to customer prices that are lower than they would be without the transaction. Each of these benefits is discussed below.

**A. Financial Strength**

The transaction will enable PacifiCorp to become part of a large, financially strong corporate group and will permit it to obtain needed capital on favorable terms. Access to the U.S. debt markets will be maintained. ScottishPower American Depository Receipts are already listed on the New York Stock Exchange and ScottishPower will provide access to U.K. and European debt markets.

**B. Customer Service**

The transaction will bring focus to the target of excellent customer service, since customer service and satisfaction are of paramount importance. The combination of PacifiCorp's and ScottishPower's capabilities in this area will provide benefits to current and future customers, thus enhancing the public interest.

ScottishPower's qualifications and experiences include:

- Extensive world-wide benchmarking exercises to achieve the goal of best-in-class performance;
- Investments in customer service systems and call centers;
- High rankings by industry regulators for quality of service and low levels of customer complaints; and
- Tailored energy packages.

ScottishPower's Standards of Service encompass a variety of areas whose object is to enhance performance within the business and increase customer satisfaction. The guaranteed standards include performance measurement relating to:

restoring power supply because of fault or damage, investigating voltage complaints, providing supply and meter, making and keeping appointments, and responding to customer inquiries about charges and payments.

Both ScottishPower and Manweb have achieved steady and substantial improvements in service as measured by reductions in the area of "guaranteed standards failures" since privatization. In Scotland the total "failures" fell from 2,020 in 1991-92 to 117 during 1997-98; in Manweb the figures were 1,405 and 62, respectively.

ScottishPower and Manweb have each received the U.K. Government's Charter Mark for service excellence in recognition of their customer service record. All service requirements in Scotland are met by a Customer Service Call Center, employing state of the art communications and information technology offering a single telephone contact point and 24 hour support.

An important part of customer service is billing. The initial phase of ScottishPower's multi-product billing system was rolled out in April 1998. ScottishPower is one of the first utilities to offer fully integrated billing, account management, credit management, and customer service systems. ScottishPower now has one of the most efficient metering businesses in the U.K., providing a benchmark against which other organizations measure their performance.

Among the tailored energy options offered to enhance customer satisfaction are ScottishPower's "Green Energy" tariff and energy saving packages. The green energy tariff will be offered initially to ScottishPower's three million existing domestic and small-business customers in the U.K., and will be expanded to the wider public as the U.K. electricity market is opened fully to competition. In this pricing option, customers will be offered the choice to support new renewable energy by paying a small premium on their bill. ScottishPower research has shown that just over half of the customers surveyed would be prepared to support the green energy tariff as a way of making a personal commitment to the environment. The customers' premium will be targeted to the development of new renewable energy products, which ScottishPower will select in conjunction with community groups and subject to independent audit. A number of suitable options have already been identified, ranging from a small hydroelectric generation unit to a new wind farm.

ScottishPower's energy saving services are specially tailored to meet the needs of multiple customer classes. ScottishPower works with customers to reduce their energy use while delivering the same quality of service. Tailored programs for commercial and institutional customers include regional multi-company energy efficiency arrangements, such as the PowerSave program in Merseyside; shared savings schemes; the Private Finance Initiative with public-sector organizations and hospitals; and Combined Heat and Power (CHP) for customer whose operations enable waste heat to be used for heating or process energy. For residential customers, ScottishPower's primary initiative is the Energy Efficiency Standards of

Performance (EESoP) program which encourages energy conservation and reduces emissions.

ScottishPower expects to continue the above efforts and develop service quality standards that will measure the performance of the organization in a variety of key service areas. These ScottishPower experiences will combine with PacifiCorp's existing efforts to achieve a high-level of customer satisfaction.

### **C. Service To The Community**

The value of the transaction to the local community will be manifested in a variety of ways. ScottishPower's publicly-stated values include a commitment to earn the trust and respect of communities in which it operates. ScottishPower's community service programs include support for education and employment initiatives, charities and caring organizations that represent children and young people, people with disabilities, older people, and the disadvantaged. ScottishPower sponsors the performing arts, sports, and recreation.

To increase educational opportunities, ScottishPower formed the "ScottishPower Learning" project in partnership with U.K. trade unions. ScottishPower Learning provides personal development opportunities free of charge for staff and the communities in which ScottishPower operates. To date, ScottishPower Learning has provided over 400 training places for the youth and long-term unemployed in Scotland, and over 800 across the U.K. Through the ScottishPower Learning project, the company has been an active participant in the U.K. Government's Welfare to Work program. ScottishPower's Chief Executive, Ian Robinson, is Chairman of the Scottish Advisory Task Force on this program.

ScottishPower's experience in local development activities ranges from the

attraction of outside investors to the encouragement of "buying local." This has resulted in the attraction of a foreign investor to Scotland, rehabilitation of an abandoned Royal Navy dockyard, and a long-term contract with the local coal supply company.

There are many other examples of how ScottishPower "lives its values." In the southern region of the company's Power Systems division, 240 staff members gave over 2,000 hours of service to the community during a single year. ScottishPower is working closely with local groups in Shropshire to recruit volunteer Power Wardens, who become the communication link to the company's emergency team in the event of serious loss of supply in bad weather. ScottishTelecom developed a web site for the Scotland Against Drugs campaign, whose program in Scotland's 2,400 primary schools is being supported by ScottishPower. Company teams are working with emergency services in a nationwide project that seeks to make children more aware of personal safety and to foster good citizenship. The introduction of a Welsh language scheme within ScottishPower's Welsh operations in May 1997 was approved by the Welsh Language Board and is attracting interest from other organizations.

ScottishPower expects to expand these efforts into the U.S. context and combine them with existing PacifiCorp initiatives, where appropriate. Both companies' legacies of service to the community will carry over to the combined organization. Following the closing of the transaction, ScottishPower will add \$5 million to the PacifiCorp Foundation, increasing the total endowment to approximately \$45 million.

#### **D. Commitment to the Environment**

ScottishPower will maintain PacifiCorp's existing environmentally friendly efforts, in keeping with ScottishPower's own record of environmental stewardship.

ScottishPower has consistently ranked among the top "green-friendly" companies in the U.K. ScottishPower's environmental record has been recognized in the Financial Times Business in the Environment Survey of FTSE 100 companies, where in 1997 it again secured a position as one of the top five companies for environmental performance and communications in the U.K.

ScottishPower has made an extensive commitment to the development of renewable resources through its investment in wind power facilities in the U.K., where it is one of the largest operators of wind generation.

ScottishPower believes firmly that a sustainable energy strategy must involve a balanced fuel mix, further development of renewable energy, active encouragement of energy efficiency, and adoption of remediation technologies. ScottishPower maintains strict targets for environmental improvements in each area, varying from the recycling of packaging in the retail appliance business to reductions of waste in engineering operations. These challenging targets have been set to reflect the continued move towards sustainable development.

Research will continue to play an important role. One example is the "gas reburn" project at Scottish Power's Longannet power station. This \$45 million initiative was backed by the European Union and was commissioned formally in November 1997. This project in conjunction with low NO<sub>x</sub> burners is expected to reduce the production and emission of oxides of nitrogen from these units by 80 percent.

#### **E. Maintenance of PacifiCorp Identity**

PacifiCorp will operate in a way that achieves the twin objectives of providing high-quality customer service and fair rates of return to shareholders. To accomplish these objectives, ScottishPower intends to maintain continuity in the operation of

PacifiCorp, while emphasizing steps for improvement.

One constant will be the location of the organization. The Pacific Power/Utah Power identities will be maintained. ScottishPower has no other operations in the U.S. and it has no intention to consolidate any of PacifiCorp's existing business operations with any of its own business operations. The U.S. headquarters of ScottishPower will be located in Portland, Oregon and the PacifiCorp headquarters will be maintained there. A strong corporate presence will remain in place in Utah. Maintaining the local presence is a necessary component of ScottishPower's longer-term objective to play an active role in the economic prosperity of the PacifiCorp service territory.

ScottishPower emphasizes its commitment to PacifiCorp's intention to focus on its core regulated operations. Except for the already announced sale of the Centralia generating station, along with the associated facilities, and the California distribution system, ScottishPower does not anticipate any additional sales of the physical assets that currently support the PacifiCorp U.S. regulated utility business.

In addition, ScottishPower intends to operate PacifiCorp in a way that will fulfill the varying needs of all of its customers, both urban and rural. This will be accomplished by increasing the efficiency of the operation of the company consistent with the plan to evolve PacifiCorp into a "best in class" utility, while at the same time increasing customer satisfaction and striving for excellence in customer service. Both ScottishPower and PacifiCorp have substantial experience with operations distributed over a wide geographic area.

## **F. Partnership With Employees**

ScottishPower considers its employees to be key stakeholders in the company's future success.

ScottishPower's Open Learning facility supports personal development across the group. Established partly to encourage the concept of "life-long learning," it is in its fifth year, providing support for thousands of staff in 46 centers. It offers around 700 programs, ranging from languages to vocational qualifications to degrees. Around 50% of ScottishPower's 15,000 employees and over 1,000 family members have participated. In addition, ScottishPower has been awarded the Eagle Star Training Award in recognition of its commitment to and high levels of staff training.

ScottishPower's experience in employee relations extends to labor unions. The Partnership Council in the company's generation business, composed of 5 senior management members and 10 trade union representatives (2 per trade union), focuses on policy formation and performance monitoring. It also operates to make real-time decisions on behalf of management and employees. This collaborative process has assisted in advancing the goals of both parties.

Safety is of paramount importance to the company, and several initiatives have been introduced throughout the business to encourage best practice. ScottishPower met its annual target of a 25% reduction of lost-time accidents during 1997-98. The company received twelve gold awards from the Royal Society for the Prevention of Accidents in 1997. ScottishPower is extending the number of Trade Union-appointed safety representatives, 59 of whom were trained this year.

ScottishPower intends to honor all existing labor agreements and work to

maintain and expand constructive relationships with labor unions representing PacifiCorp's employees, including safety and training initiatives.

**G. Summary of Public Interest Considerations**

Overall, the transaction will consolidate the best practices of ScottishPower and PacifiCorp, sharpen the focus on local distribution services, and enable PacifiCorp to provide a higher level of service. In time, the efficiencies to be gained from this transaction will lead to customer prices that are lower than they would be without the transaction.

**V.**

**OTHER INFORMATION**

**A. Capital Structure**

Set forth in Appendix 3 is a description of PacifiCorp's projected capital structure as of December 31, 1998. PacifiCorp will continue to have its own long- and short-term debt, unless there are benefits to be gained from the use of other forms of capital.

As long as it is subject to traditional cost-of-service regulation, PacifiCorp will continue to propose for ratemaking purposes that its capital structure and return on common equity be based upon those of comparable electric utilities.

## **B. Bond Ratings**

No significant adverse effect on PacifiCorp's bond ratings is expected from the transaction. ScottishPower intends to maintain separate debt ratings for PacifiCorp. This transaction has already had a beneficial effect on PacifiCorp's bond ratings. Prior to the announcement of the transaction, PacifiCorp's senior secured debt was rated "A+" by Standard & Poor's, "A2" by Moody's and "A" by Duff & Phelps. As of December 9, 1998 (post announcement), Moody's had changed its ratings outlook from negative to stable, S&P had moved PacifiCorp from CreditWatch-Negative to Positive, while Duff & Phelps had kept it on RatingWatch-Uncertain. Specific PacifiCorp ratings are currently under review by the agencies, and are expected to be updated in the near term.

## **C. Organization Structure**

A list of ScottishPower's principal operating subsidiaries is contained in the ScottishPower Annual Report attached as Appendix 2, at page 62.

PacifiCorp will be retained as a separate corporate entity. A diagram of the organizational structure that is expected to result from the transaction is set forth in Appendix 4.

## **D. Filing with Other Agencies**

Securities and Exchange Commission ("SEC") approval of the transaction is not required. Following the consummation of the transaction, however, ScottishPower will register as a holding company in accordance with Section 5 of the Public Utility Holding Company Act of 1935. ScottishPower would then be regulated to the same extent as other U.S. based registered holding companies with respect to the issuance of securities, acquisition and disposition of securities and assets, and diversification into

businesses related to the utility business and the regulation of affiliate transactions.

PacifiCorp will seek approval of the Federal Energy Regulatory Commission pursuant to Section 203 of the Federal Power Act for the proposed transaction on the basis that it will result in the indirect transfer to ScottishPower of control of the "jurisdictional facilities" of PacifiCorp and its power marketing affiliates.

ScottishPower will file a Form F-4 Registration Statement with the SEC. PacifiCorp will also file a proxy statement for use in its shareholder meeting where approval of the proposed transaction is sought.

ScottishPower and PacifiCorp will both make filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"). The proposed transaction cannot be consummated until the waiting periods prescribed in the HSR Act lapse.

As a non-operating owner of the Trojan nuclear power plant, which is in the later stages of decommissioning, PacifiCorp must notify the Nuclear Regulatory Commission ("NRC") of a change in control of the licensee. PacifiCorp must assure the NRC that all safety-related matters remain under the supervision of U.S. citizens.

PacifiCorp and ScottishPower are currently planning to file in the following state jurisdictions: Idaho, Oregon, Washington, Wyoming and Utah.

#### **E. Asset Dispositions**

ScottishPower has no plans to sell, exchange, pledge or otherwise transfer any of PacifiCorp's physical assets which support PacifiCorp's U.S. regulated business,

except for the sale of the California distribution system and the potential sale of the Centralia generating station and associated facilities.

WHEREFORE, the Applicants respectfully request that the Commission approve the issuance of PacifiCorp common stock incidental to the transaction described in this Application and the Agreement.

Dated: December \_\_, 1998

PACIFICORP

By \_\_\_\_\_  
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SCOTTISH POWER plc

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