

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

In the Matter of the Application of	)	
PacifiCorp and ScottishPower plc for an	)	Docket No. 98-2035-04
Order Approving the Issuance of	)	Stipulation and Settlement of Issues
PacifiCorp Common Stock	)	Related to Public Purpose Programs

This Stipulation (“Stipulation”) is entered into among PacifiCorp, ScottishPower plc, the Office of Energy and Resource Planning and the Land and Water Fund of the Rockies. The Office of Energy and Resource Planning, and the Land and Water Fund of the Rockies are together referred to as the “Intervenors.” PacifiCorp, ScottishPower and the Intervenors are together referred to as the “Parties.”

The purpose of this Stipulation is to resolve all issues in this Docket relating to the impact of the merger of ScottishPower and PacifiCorp on the environment and public purpose programs. ScottishPower/PacifiCorp have publicly committed to funding certain kinds of programs on a system-wide basis, as set in direct testimonies of Mr. Alan Richardson and Mr. Jack Kelly filed on February 26, 1999. In this Stipulation, ScottishPower/PacifiCorp agree to actions specifically applicable to the Utah jurisdiction in respect of those testimony commitments, as a negotiated resolution of the environmental and public purpose issues between the Parties.

1. **Terms of Stipulation**

The terms and conditions of this Stipulation are set forth below. The Parties agree that with respect to the environment and public purpose programs the commitments in this Stipulation and the proposed merger are in the public interest. The Parties recommend that the Commission approve the Application in this Docket in regard to the environment and other

public purpose programs, subject to the terms of this Stipulation. The Parties will also support this Stipulation throughout the proceedings relative to this Docket.

2. **Background**

In this Docket, the Intervenors filed direct testimony commenting on the positive and credible commitments which ScottishPower/PacifiCorp made in their direct testimony with regard to the environment, renewable energy and other public purpose issues. However, Intervenors also commented on the lack of specific testimony relating to energy efficiency programs to which ScottishPower/PacifiCorp would commit upon approval of the merger or how ScottishPower/PacifiCorp's system wide investments in public purpose programs would provide net benefits to Utahns. Since that time, representatives of ScottishPower/PacifiCorp have met with the Intervenors to discuss those concerns. ScottishPower/PacifiCorp has provided clarification on the intent behind its environment and public purpose commitments and a more detailed explanation of ScottishPower/PacifiCorp's desire to work in partnership with appropriate parties to ensure that environmental, renewable energy, energy efficiency and other public purpose issues and opportunities specific to Utah can be addressed.

While ScottishPower/PacifiCorp's objectives are to improve environmental performance and deliver the merger commitments of ScottishPower/PacifiCorp, they intend to do so in such a way that enables them to seek to maximize the impact of their investment and ensure that all investments are prudent, and therefore recoverable through the rate setting mechanism.

3. **ScottishPower Commitments**

With regard to environmental and public purpose issues, ScottishPower agrees to meet the concerns expressed by the Intervenors in the following ways:

a. **Integrated Resource Planning**

The Parties agree that the Utah Public Service Commission (“Commission”) approved Integrated Resource Planning process provides a valuable means for ensuring that PacifiCorp’s resource plan provides the maximum benefit to PacifiCorp and its customers when evaluating a range of important criteria, such as cost, risk diversification and environmental impacts. As such, ScottishPower/PacifiCorp commits to produce Integrated Resource Plans according to the current schedule and current PSC rules. The Parties acknowledge that, to account for changes in the electric industry over time, the IRP rules may need to be updated and revised. ScottishPower/PacifiCorp commits to work with the Intervenors and other relevant bodies to address this issue at the relevant time.

b. **Renewable Resources**

ScottishPower/PacifiCorp confirms its commitment to develop an additional 50 MW of renewable resources across its entire system within five years of the approval of the merger, as set out in the direct testimony of Mr. Alan Richardson. ScottishPower/PacifiCorp is interested in developing cost effective renewable energy programs and projects in Utah. ScottishPower/PacifiCorp will use the Integrated Resource Planning process and other mechanisms to evaluate renewable resources and work with the Intervenors and other interested parties, including the Energy Efficiency and Renewable Energy Task Force, in designing, developing, implementing and evaluating specific programs to most effectively deploy renewable energy technology in Utah. Pilot programs may be used to ascertain the effectiveness of program design and implementation. Nothing in this Stipulation, however, would provide ScottishPower/PacifiCorp with a finding of prudence in regard to these renewable resource

investments prior to a future rate case. Rather, when PacifiCorp or ScottishPower seek to include these renewable resource costs in rates, they must demonstrate at that time that these costs have been prudently incurred.

In its testimony, ScottishPower/PacifiCorp also committed to filing a green resource tariff within 60 days of the approval of the merger. To ensure that the green pricing tariff filed in Utah addresses issues and opportunities specific to Utah, ScottishPower/PacifiCorp commits to incorporating, where appropriate, the recommendations of the Energy Efficiency and Renewable Energy Task Force in the design of the tariff. The Parties recognize that any green pricing tariff implemented in Utah is subject to Commission approval.

c. **Conservation and Energy Efficiency Programs**

At the meeting of the parties, ScottishPower/PacifiCorp explained that the lack of specific testimony relating to Utah-specific energy efficiency programs was due to uncertainty regarding the outcome of the investigation currently being undertaken by the Commission's Energy Efficiency and Renewable Energy Task Force. ScottishPower/PacifiCorp commits to continue to support funding for cost effective and prudent energy efficiency in Utah and will continue to use the Integrated Resource Planning process and other mechanisms to establish Utah energy efficiency targets. In determining the appropriate cost effective programs and investments, aspects such as market transformation, removing barriers to self-sustaining energy efficiency markets, technical potential, achievable potential, program design, leverage of additional funds, administration costs, timing of implementation, portfolio and risk diversification value, and environmental benefits will be considered. The prudence of investment will be determined according to Utah Commission guidelines.

The Parties believe that conservation and energy efficiency programs are more than merely an alternative to increasing generation plant. If properly constituted these programs can deliver real benefits to customers by:

- reducing the energy used;
- increasing comfort;
- lowering the total cost of energy;
- reducing risk by diversifying the electric resource mix; and
- reducing environmental impacts.

ScottishPower/PacifiCorp commits to work with the Energy Efficiency and Renewable energy Task Force, and assist in establishing a technical database and in designing, developing, implementing and evaluating specific Utah programs that can most effectively deliver the benefits of energy efficiency programs to Utah customers. Pilots may be used to ascertain the effectiveness of program design and implementation.

The overall objective will be to maximize the benefits from cost effective and prudent investment in conservation and energy efficiency programs in Utah.

The tariffs associated with these conservation and energy efficiency programs will be subject to Commission approval prior to implementation.

d. **Environmental Forum**

As described in its testimony and discovery responses, ScottishPower has committed to establishing an Environmental Forum, similar to the Forum it uses in the UK. In the UK, the Forum is a consultative body incorporating representatives of academic, industry, and advocacy organizations in the field of environmental issues, together with senior ScottishPower

management. It provides ScottishPower with external expertise and perspective on strategic issues related to the environment.

e. **Other Issues**

The Parties recognize that there are environmental, energy efficiency, and renewable energy issues not covered in ScottishPower/PacifiCorp's direct testimony (e.g. impacts of distributed generation, issues related to the state sponsored energy programs for National Parks and public lands management agencies, public buildings, and regional haze).

With respect to distributed generation and state sponsored energy programs, ScottishPower/PacifiCorp commit to work with the Energy Efficiency and Renewable Energy Task Force and/or other appropriate working groups to develop a framework to address these issues as they relate to Utah. This approach will ensure that a balance is struck between addressing the issues on a regional basis and being able to tackle issues which specifically relate to PacifiCorp's Utah customers.

With respect to regional haze, the Parties recognize that ScottishPower/PacifiCorp intends to support PacifiCorp's continued involvement in the Western Regional Air Partnership's work to develop a regional haze strategy for the Western states, including Utah. The Parties point out that ScottishPower's merger related commitments to renewable energy and energy efficiency could be a component of Utah's state implementation planning requirements for regional haze as outlined in Section 51.309(d)(8) of EPA's final regional haze rule.

4. **General Terms and Conditions**

a. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, evidence or conduct or statements made in the negotiation and discussion

phases of this Stipulation shall not be admissible as evidence in any proceeding before the Commission or a court. All negotiations relating to this Stipulation are privileged and confidential.

b. The Parties have negotiated this Stipulation as an integrated document.

Accordingly, the Parties recommend that the Commission adopt the Stipulation in its entirety.

c. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall support adoption of the Stipulation in the proceedings, relative to this Docket. Each Party shall make available a witness in support of the Stipulation at which time other parties to the proceeding would have an opportunity to cross-examine such witness. In the event the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving the Application, each Party reserves the right, upon written notice to the Commission and all parties to the proceeding within 15 days of the date of the Commission's Order, to withdraw from this Stipulation. In such case, no Party to this Stipulation shall be bound or prejudiced by the terms of this Stipulation and each Party shall be entitled to seek reconsideration of the Commission Order, file any testimony it chooses, to cross-examine witnesses and in general to put on such case as it deems appropriate.

d. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

e. No Party shall be bound by any position asserted in the negotiations, except to the extent expressly stated in this Stipulation. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation, and no party shall be deemed to have agreed that any method,

theory or principle of regulation employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

f. The obligations of ScottishPower/PacifiCorp under this Stipulation are subject to the Commission's approval of the Application in this Docket on terms and conditions acceptable to ScottishPower and PacifiCorp, in their sole discretion, and the closing of the merger transaction between ScottishPower and PacifiCorp.

Dated: July \_\_\_\_\_, 1999  
**PacifiCorp**

**ScottishPower plc**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**The Office of Energy and Resource  
Planning, Utah Department of Natural  
Resources**

**The Land and Water Fund of the Rockies**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_