

To: Utah State Public Service Commission and Committee of Consumer Services

From: Lowell Alt, Director, Division of Public Utilities
Judith Johnson, Manager, Energy Section
Bob Maloney, Management Analyst

Subject: PacifiCorp Merger Conditions – Recommended Outage Baselines, Due May 23, 2001
Date: Thursday, June 07, 2001

Recommendation and Summary:

The Division's recommendation regarding PC's (PacifiCorp's) proposed outage baselines is expected to be available for your review during October 2001.

PC, after encountering unexpected mapping work has been delayed in proposing outage baselines for the 1994 through 1998 period. The Company expects to provide its proposals by September 2001. The Division will subsequently make its recommendation to the Commission to accept, reject, or modify the Company's proposals.

Merger Conditions and Status

Merger Condition 29 -- PacifiCorp will operate its current outage reporting system in parallel with Prosper (an automated system expected to verify customer reported outages) until the earlier of Commission approval to terminate the current system or until the establishment of baselines in accordance with condition 30.

Status -- The Company implemented Prosper and Computer Aided Distribution Operations Systems in Southern Utah during November 2000 and in Northern Utah during January 2001.

Condition 30a --PacifiCorp will perform audits at six-month intervals to ascertain the differences between customer reported faults (from telephone systems) and those recorded in the fault reporting systems to ascertain the differences due to reporting deficiencies. These three audits will terminate 18 months after approval of the transaction. Thereafter, PacifiCorp will perform audits upon request of the Division or the Commission.

Status -- PacifiCorp plans to provide copies of three audit reports by July 30, 2001. The Company will develop three “uplift factors” (mentioned below) using primarily the most recent automated Prosper outage reports, but also findings from the audit reports. The factors will adjust previously understated outage levels during 1994 through 1998. The Division may request a fourth audit.

Condition 30b-- Based upon that data, the Division will, within 18 months after approval of the transaction, file a report with the Commission recommending outage baselines. Disputes if any regarding the outage baselines will be resolved by the Commission.

Status -- PacifiCorp plans to recommend modified 1994 to 1998 average baselines by September 2001. The Company encountered unexpected (labor-intensive) mapping work and engaged contractors to help with this work. Nevertheless, the unexpected work has delayed the Company’s proposals beyond the May 23, 2001 (18 months after 11/23/99-transaction approval) target date. PC plans to increase the 1994 to 1998 outage averages using three “uplift factors.” The factors will adjust understated outage levels during 1994 through 1998 and will include numbers of occurrences (incidents), durations of outages, and numbers of customers affected by outages.

The Company will measure its outage performance during 2005 against the “uplifted” (upwardly adjusted) 1994 to 1998 average baselines. PC plans to achieve 10%, 10%, and 5% outage-level reduction targets for outage durations, outage frequencies, and momentaries. The Company expects to have achieved these reductions as measured during the April 1, 2005 through March 31, 2006 period.

Please contact Bob Maloney at 530 6660 if you have any questions. In addition, an eight-page document listing questions and PC’s replies to the questions is available upon request. PC’s replies to the questions were used to develop this memo.