

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of PacifiCorp and)
ScottishPower plc for an Order Approving the)
Issuance of PacifiCorp Common Stock)
)

DOCKET NO. 98-2035-04

ORDER ACCEPTING AGREEMENT ON
PERFORMANCE STANDARDS 1 AND 2

ISSUED: July 6, 2004

By The Commission:

As part of the merger between ScottishPower and PacifiCorp, commitments were made to improve various utility operations and meet various performance standards. Commitments were made to improve remediating outage performance by 10 percent over a five year period; viz. Performance Standard 1, pertaining to the duration of outages, quantified through a System Average Interruption Duration Index (SAIDI); and Performance Standard 2, pertaining to the frequency of outages, quantified through a System Average Interruption Frequency Index (SAIFI). It was recognized that system changes resulting from the merger would capture outage information which had previously not been captured and that some measurement adjustment would need to be formulated to establish an appropriate base line against which the company's improvement could be measured.

The Division of Public Utilities (Division) and PacifiCorp undertook examination and analysis of company information in an attempt to reach agreement on how to set reasonable baseline measurements and ensure achievement of the merger commitments for these two standards. On April 9, 2003, the Division and PacifiCorp submitted an Agreement explaining their efforts, the process by which they examined company information, and a resulting methodology by which they proposed setting baselines and measuring the company's improvements. The parties agreed to measure the improvements in system reliability based on a system performance baseline using fiscal year 2002 data. The reliability target the company would need to meet to achieve the merger commitments would be a normalized SAIDI of 217 and a SAIFI of 2.2. PacifiCorp would exclude from performance measurements those events that meet the definition for a "major event" and which have been approved by the Commission. The parties stated that

the terms of their agreement would deliver reliability improvements at least equivalent to that required in the merger approval for Performance Standards 1 and 2. Although the parties requested Commission approval of their agreement in the April 9, 2003, submission, no Commission order was issued. This oversight was brought to the Commission's attention by the Division in a June 3, 2004, Memorandum in which the Division noted that the Commission had not issued an order and requested the Commission do so.

Based upon our earlier and now renewed examination of the parties' Agreement, we conclude that the suggested baseline and measurements proposed will correctly monitor the company's progress in meeting its merger commitments for Performance Standards 1 and 2.

Now, Therefore it is hereby ORDERED that the terms of April 9, 2003 Agreement are approved and accepted by the Commission as the means by which we will measure PacifiCorp's progress in meeting its merger commitments and conditions for Performance Standards 1 and 2.

DATED at Salt Lake City, Utah, this 6th day of July, 2004.

/s/ Ric Campell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

GW#38770