

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

Docket No. UE-981627
Stipulation and Settlement of Issues Related to
Low-Income Customers

This Stipulation ("Stipulation") is entered into among Scottish Power plc ("Scottish Power"), PacifiCorp ("PacifiCorp"), Public Counsel, the Energy Project and Northwest Energy Coalition (NWEC) (together, the "Parties"). The purpose of this Stipulation is to resolve all issues in this Docket relating to the impact of the merger of Scottish Power plc and PacifiCorp on low-income customers. Scottish Power and PacifiCorp have publicly committed to funding certain kinds of programs on a system-wide basis, as set out in direct testimony of Mr. Jack Kelly filed on April 23, 1999. In this Stipulation, Scottish Power and PacifiCorp agree to actions specifically applicable to the Washington jurisdiction in respect of those testimony commitments, as a negotiated resolution of issues between the Parties.

1. Terms of Stipulation

The terms and conditions of this Stipulation are set forth below. Upon acceptance of these terms and conditions the Parties will, as soon as possible within the procedural limits of this Docket, notify the Washington Utilities and Transportation Commission ("Commission") that the Parties agree that the low income commitments in this Stipulation are beneficial to PacifiCorp's Washington customers and that the proposed merger is in the public interest in respect of these matters. The Parties will support this agreement throughout this Docket.

2. Low Income Programs

Scottish Power/ PacifiCorp are committed to working with the appropriate partners to identify and implement innovative, cost-effective programs that provide sustained benefit to low income customers through decreasing energy usage and improving their ability to pay current and past electric bills.

To this end, Scottish Power/ PacifiCorp, will work with the Public Counsel, the Energy Project, NWEC, and other stakeholders to implement programs that incorporate a range of measures including:

- Energy Efficiency Advice
- Budget management & Debt Counseling
- Implementation of energy efficiency measures
- Bill payment assistance

The objective of Scottish Power/PacifiCorp is to deliver real benefit (i.e. reducing the energy used; increasing comfort; lowering the total cost of energy and/or reducing debt burden) to low income and other vulnerable customers by accomplishing the following to the extent practicable:

- Helping to stimulate the provision of cost-effective programs.
- Identifying the objectives of each program and how achievement of objectives can be measured.
- Identifying the customer groups who will benefit from each individual program.

- Identifying possible sources of funding which can provide additional leverage.
- Identifying the most effective method of funding, managing and delivering each program.
- Establishing pilot projects to prove the effectiveness of appropriate programs where relevant experience with similar programs is insufficient to justify proceeding with full implementation.
- Identifying the data required to confirm the effectiveness of pilot programs and whether they should be rolled out.

The Parties agree to collaboratively identify and develop mutually satisfactory programs which improve the energy efficiency and address bill payment problems of their low income customers. Scottish Power/PacifiCorp shall make available \$300,000 per annum of shareholder funds for the implementation of bill payment assistance and energy efficiency programs that have been identified, developed and financially structured to ensure they are cost-effective and meet all regulatory and business requirements. This commitment of additional funding shall continue in Washington for three years after approval of the merger. By the end of this 3 year period the funding and programs shall have been reviewed by the Parties. Included in the review will be an analysis of the actual expenditure in each of the 3 years, identifying actual levels of underspend or overspend. This analysis will form an important factor when deciding the appropriate level of funding going forward. All parties will use their reasonable endeavors to work together and identify appropriate programs for this funding as set out in this paragraph. The Parties agree to support Scottish Power/PacifiCorp filings of said programs before the Commission to recover through rates, any program costs that are recoverable under Commission rules and Washington law. Recoverable costs shall be in addition to shareholder funds committed to these programs.

The Parties will seek to begin implementation of suitable programs within 6 months of the completion of the merger.

3. Low Income Weatherization and Energy Efficiency

In addition to resources identified in Section 2, Scottish Power/PacifiCorp shall maintain the PacifiCorp Washington Low Income Weatherization annual budget at least at the 1999 level of \$560,000 for a 3 year period following closure of the merger.

Scottish Power/ PacifiCorp will file with the Commission, within 60 days after the closing of the merger, a revised tariff schedule that eliminates the \$1350 funding cap for weatherization measures determined to be cost effective by a Department of Energy (DOE) approved weatherization audit.

Working with the other Parties, Scottish Power/ PacifiCorp will seek to maximize the effectiveness of the low-income weatherization and energy efficiency programs and the benefits realized by qualifying households. In reviewing PacifiCorp's current Washington Low Income Weatherization offering, the following will be considered:

- 1) Effective utilization of federal, state or other matching funds.
- 2) Maximization of the number of PacifiCorp service territory low-income homes fully weatherized.
- 3) Changes in weatherization technologies and/or historical weatherization measures installed.
- 4) Cost effectiveness criteria required for Commission approval.

5) The filing of a system benefit charge tariff.

6) The removal of the requirement for a dollar for dollar match with non-utility funds on a per-unit basis.

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 pre-filed testimony submitted in this proceeding. If a hearing is scheduled for presentation of the Stipulation, each Party (other than The Energy Project) 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 issue 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 Scottish Power/PacifiCorp under this Stipulation are subject to the Commission's approval of the Application in this Docket on terms and conditions acceptable to Scottish Power and PacifiCorp, in their sole discretion, and the closing of the merger transaction between Scottish Power and PacifiCorp.

g. The Parties agree that with respect to the issues covered herein, this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable. The Parties agree that this Stipulation does not represent agreement by the Parties that the entire merger transaction is in the public interest. Furthermore, the Parties agree that this Stipulation does not constitute an endorsement of the merger.

h. Scottish Power/PacifiCorp will not initiate any press releases regarding this Stipulation without consulting with the Parties on the language but reserve the right to include this Stipulation in testimony, respond to inquiries regarding this Stipulation from the press and others, report this Stipulation to other regulatory agencies and provide copies of this Stipulation to third parties on request.

Dated: August 11, 1999

Washington Attorney General's Office -

Public Counsel

PacifiCorp

The Energy Project

Scottish Power plc

NW Energy Coalition