

1 4. Throughout this proceeding, Oregon Parties have made clear the importance
2 of maintaining the Hydro-Electric Resources and Mid-Columbia Contracts for Northwest
3 citizens. An allocation of these Resources to Oregon that is less than that contemplated by
4 the Revised Protocol is not acceptable to Oregon Parties. In order to secure the allocation of
5 the Mid-Columbia Contracts that is contemplated in the Revised Protocol, Oregon Parties
6 have accepted the allocation of the costs of Existing QF Contracts that is contemplated in the
7 Revised Protocol.

8 5. The parties to this Stipulation recognize that there is uncertainty regarding the
9 future value of the Mid-Columbia Contracts and that it is possible that, during the remaining
10 term of the Existing QF Contracts, the costs to Oregon customers associated with the
11 contemplated allocation of Existing QF Contracts will exceed the benefits of the
12 contemplated allocation of Mid-Columbia Contracts. However, the Oregon Parties are
13 prepared to assume this risk because they expect that the contemplated allocation of Mid-
14 Columbia Contracts will continue to provide long-term benefits to Oregon customers after
15 the expiration of the Existing QF Contracts. Similarly, the parties to this Stipulation
16 recognize that the addition of relicensing costs to the Company's ratebase may cause the
17 Hydro-Electric Resources to be more costly than other market opportunities in the near term,
18 but Oregon Parties are willing to accept responsibility for these higher near-term costs in the
19 expectation that, as the relicensing costs are depreciated, Hydro-Electric Resources will yield
20 long-term benefits to Oregon customers. For the foregoing reasons, it is critical to Oregon
21 Parties that their entitlement to Hydro-Electric Resources and Mid-Columbia Contracts not
22 be abridged at any time in the future.

23 6. Oregon Parties have been concerned that relatively faster-growing States
24 cause other States to unreasonably support the costs associated with that faster load growth.
25 Load-Based Dynamic Allocation Factors cause costs to be shifted to relatively faster-
26 growing States. However, in order to insulate slower-growing States from the consequences

1 of faster load growth in other States, rates in relatively slower-growing States should
2 incorporate relatively current Load-Based Dynamic Allocation Factors, which reflect an
3 appropriate level of relative cost responsibility.

4 **AGREEMENT**

5 7. The undersigned parties hereby stipulate and agree that they will support the
6 ratification of the Revised Protocol by the OPUC and that they will file and defend testimony
7 supporting the use of the Revised Protocol as appropriate. Except as otherwise provided
8 below, PacifiCorp agrees that, as long as the Revised Protocol, or any amended version of the
9 Revised Protocol recommended by the MSP Standing Committee, is relied upon by the
10 OPUC for purposes of inter-jurisdictional allocation of the Company's costs, all PacifiCorp's
11 general rate case filings in Oregon will be based upon same. Except as otherwise provided
12 below, the Oregon Parties agree that, until such time as the Revised Protocol is amended in
13 accordance with its terms, they will support the use of the Revised Protocol for allocating
14 costs among PacifiCorp's jurisdictions.

15 8. Should the benefits or detriments to Oregon customers of the contemplated
16 allocations as specified in the Revised Protocol, or any amended version of the Revised
17 Protocol recommended by the MSP Standing Committee, no longer produce results that are
18 just, reasonable and in the public interest, any party to this Stipulation may propose
19 amendments to the Revised Protocol or propose to the OPUC that the OPUC depart from its
20 terms, so as to produce results that are just, reasonable and in the public interest.

21 9. Notwithstanding the status of the Revised Protocol as an inter-jurisdictional
22 cost allocation method, if any party to this Stipulation proposes a material change to the
23 allocation methodology for Hydro-Electric Resources, Mid-Columbia Contracts or Existing
24 QF Contracts as specified in the Revised Protocol, the proposed change should be consistent
25 with the trade-off between near-term negative impacts of Existing QF Contracts and long-
26 term positive impacts of Mid-Columbia Contracts and the potential near-term costs and long-

1 term benefits of Hydro-Electric Resources as described in Sections 4 and 5 of this
2 Stipulation.

3 10. As provided for in Section XIII C of the Revised Protocol, a party's initial
4 support of the Revised Protocol will not bind that party in the event that unforeseen
5 circumstances cause that party to conclude that the Revised Protocol no longer produces just
6 and reasonable results. To allow Oregon Parties to monitor the impacts of the Revised
7 Protocol, the Company's annual reports of operation, and general rate case filings filed with
8 the OPUC for the ten years following the OPUC's ratification of the Revised Protocol shall
9 include calculations of the Company's Oregon revenue requirement under both the Revised
10 Protocol and the Modified Accord methods, and shall include and adequately explain all
11 adjustments, assumptions, work papers and spreadsheet models used by the Company in
12 making such calculations. Such annual reports shall also include forecasts of Load-Based
13 Dynamic Allocation Factors for the Company fiscal year subsequent to the reporting period.

14 11. In consideration of the concerns set forth in Section 6, the parties to this
15 Stipulation agree that following Commission ratification of the Revised Protocol, and as long
16 as Load Based Dynamic Allocation Factors are relied upon by the OPUC for allocating costs
17 of New Resources:

18 (a) If the Company's annual report of operations demonstrates that the
19 Company's return on equity for its Oregon operations, including Type I and Type II
20 adjustments, is 200 basis points or more above the most recently authorized rate of return
21 in Oregon, and

22 (b) Oregon's Load-Based Dynamic Allocation Factors are forecasted to decline in
23 the fiscal year subsequent to the reporting period, then:

24 (c) The Company will file within 90 days to establish a tariff rider that credits to
25 Oregon customers the difference between the results of operations as filed and the results

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1 of operations restated using the forecasted Load-Based Dynamic Allocation Factors for
2 the fiscal year subsequent to the reporting period.

3 (d) The tariff rider will remain in effect until the earlier of:

4 (i) the effective date of a rate change from a general rate proceeding, or

5 (ii) one year from the effective date of the tariff rider.

6 (e) The Company's annual report of operations as provided for in subsection (a)
7 shall not include the effects of any tariff rider pursuant to this section.

8 12. Within 30 days following the date that the Revised Protocol is finally ratified,
9 as contemplated in Section XIII D of the Revised Protocol, the Company shall initiate efforts
10 with each Commission that has finally ratified the Revised Protocol to organize the MSP
11 Standing Committee. Within 90 days of such final ratification of the Revised Protocol, the
12 Company shall file with each Commission that has finally ratified the Revised Protocol a
13 proposed budget sufficient to reasonably fund the appointment of the Standing Neutral and
14 the activities described in Section XIII B of the Revised Protocol for a 12-month period.

15 13. If the Revised Protocol is ratified by the Commission, if so requested by the
16 Commission within 90 days of such ratification, PacifiCorp will make a filing in Oregon for
17 the purpose of changing rates so as to implement the Revised Protocol. Nothing in this
18 Stipulation shall otherwise alter or abridge PacifiCorp's right to initiate Oregon rate
19 proceedings when it deems appropriate to do so.

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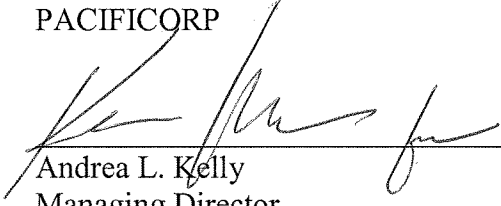
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1 **SIGNATURES**

2 This stipulation may be executed in counterparts and each signed counterpart shall
3 constitute an original document.

4 DATED this 22nd day of July 2004.

5 PACIFICORP

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7 _____
8 Andrea L. Kelly
9 Managing Director

10 STAFF OF THE PUBLIC UTILITY
11 COMMISSION OF OREGON

12 _____
13 Stephanie S. Andrus
14 Oregon Department of Justice

15 CITIZENS' UTILITY BOARD OF OREGON

16 _____
17 Robert Jenks
18 Executive Director

19 AARP

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21 Ronald J. Binz
22 Public Policy Consulting
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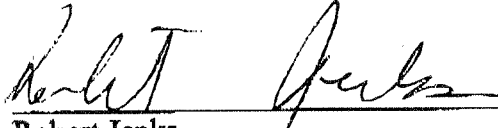
PACIFICORP

Andrea L. Kelly
Managing Director

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Stephanie S. Andrus
Oregon Department of Justice

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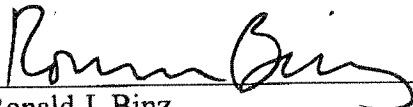
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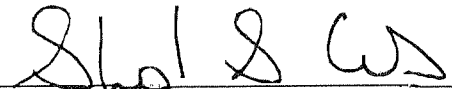
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