



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER BUSINESS LINE

October 21, 2003

In reply refer to: PT-5

Amendment No. 1
Contract No. 01PB-10854
FINANCIAL SETTLEMENT
AGREEMENT

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

Attn: Mr. Don Furman
Senior Vice President

Dear Mr. Furman:

This letter agreement ("Amendment No. 1") constitutes an amendment to Contract No. 01PB-10854 between the Bonneville Power Administration ("BPA") and PacifiCorp ("PacifiCorp"), (referred to hereinafter as "Financial Settlement Agreement"). This Amendment No. 1 in effect provides for the continuation of the Reduction of Risk Discount through September 30, 2006, and is entered into by PacifiCorp contemporaneously with the Stipulation and Agreement for Settlement, Contract No. 04PB-11417 ("Stipulation").

The Parties agree:

- 1. EFFECTIVE DATE.** Subject to the provisions of section 3 below ("Voiding of this Amendment No. 1"), this Amendment No. 1 shall, upon execution and delivery by BPA and PacifiCorp, take effect and be binding in accordance with its terms as of the Effective Date, as defined in the Stipulation ("Effective Date").
- 2. AMENDMENT OF FINANCIAL SETTLEMENT AGREEMENT.** The Financial Settlement Agreement is amended as follows:

- (a) Section 4(b) of the Financial Settlement Agreement is deleted and replaced by the following:

“(b) October 1, 2002, through September 30, 2006

During the period that begins October 1, 2002, and continues through September 30, 2006, BPA shall pay to PacifiCorp each month an amount equal to \$6,972,740 (\$6,981,876 during a leap year).”

- (b) Section 5 of the Financial Settlement Agreement is deleted and replaced by the following:

“5. PASSTHROUGH OF BENEFITS

- (a) Except as otherwise provided in this Agreement, cash payment amounts received by PacifiCorp from BPA under this Agreement shall be passed through, in full, to each residential and small farm consumer, as either: (1) cash payments; or (2) as otherwise directed by the applicable State regulatory authority(s).
- (b) Cash payments shall be distributed to the Residential Load in a timely manner, as set forth in this section 5(b). The amount of benefits held in the account described in section 5(c) below shall not at any time exceed an amount equal to the greater of: (1) the expected receipts of monetary payments from BPA under this Agreement over the next 36 months, or (2) the receipts of monetary payments from BPA under this Agreement over the immediately preceding 36 months; *provided, however*, that any amount of benefits held in such account shall be distributed to the Residential Load no later than April 1, 2012. If the annual monetary payment is less than \$600,000, then PacifiCorp may distribute benefits on a less frequent basis provided that distributions are made at least once each Contract Year.
- (c) Benefits shall be passed through consistent with procedures developed by PacifiCorp’s State regulatory authority(s). Such procedures shall address the maximum amount of benefits held in the account described in this section 6(c). Cash payments under this Agreement shall be identified on PacifiCorp’s books of account. Funds shall be held in an interest bearing account, and shall be maintained as restricted funds, unavailable for the operating or working capital needs of PacifiCorp. Benefits

shall not be pooled with other monies of PacifiCorp for short-term investment purposes.

- (d) Cash payments may be passed through to residential and small farm consumers that curtail Residential Load but would otherwise operate pursuant to a program approved by an applicable State regulatory authority(s)."

3. VOIDING OF THIS AMENDMENT NO. 1

This Amendment No. 1 shall be voided *ab initio* (a) if the Stipulation becomes void *ab initio* pursuant to section 11 of the Stipulation or (b) if PacifiCorp withdraws from the Stipulation pursuant to section 11(b) of the Stipulation.

4. SEVERABILITY

This Amendment No. 1 is severable from any other Settlement Documents (as such term is defined in the Stipulation) and shall remain in effect even if any or all such other Settlement Documents are held to be void, unenforceable, or unlawful after the 120th day after the Effective Date.

If the foregoing terms are acceptable, please sign both originals and return one original of this Amendment No. 1 to BPA. The remaining original is for your files.

ACCEPTED:

Sincerely,

PACIFICORP

/s/

By _____

Account Executive

Title _____

Name Mark E. Miller

Name _____

Date _____

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