



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

May 12, 2009

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attn: Filing Center

RE: UI ___ - Application Requesting Approval of Affiliated Interest Agreement with
Interwest Mining Company

Enclosed for filing by PacifiCorp dba, Pacific Power ("PacifiCorp") is PacifiCorp's Application Requesting Approval of the Affiliated Interest Agreement with Interwest Mining Company. An original and three (3) copies will be provided via overnight delivery.

PacifiCorp is filing this Application based on the recommendation of Commission Staff in its Audit No. 2008-002 ("Audit Report").


PacifiCorp respectfully requests that all formal correspondence and data requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Please direct informal questions with respect to this filing to Joelle Steward at 503-813-5542.

Very truly yours,


Andrea L. Kelly
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of
PACIFICORP, d.b.a. Pacific Power,
Requesting Approval of an Affiliated
Interest Agreement with Interwest Mining
Company

**APPLICATION OF PACIFICORP AND
WAIVER OF PAPER SERVICE**

1 Pursuant to ORS 757.495(1) and OAR 860-027-0040, PacifiCorp, d.b.a Pacific Power
2 (“Company”) requests approval from the Public Utility Commission of Oregon
3 (“Commission”) of the Services Agreement (“Agreement”) between PacifiCorp and
4 Interwest Mining Company, a copy of which is attached as Attachment A. The Company
5 respectfully requests that the Commission approve the Agreement as an affiliated interest
6 agreement and allow PacifiCorp to continue to purchase services pursuant to the Agreement.

7 Additionally, pursuant to OAR 860-013-0070(4) the Company waives paper service
8 for this proceeding.

9 **I. Background**

10 Interwest Mining Company (“Interwest”) is a wholly-owned subsidiary of PacifiCorp.
11 Interwest provides administrative, managerial and technical services to Energy West Mining
12 Company, Pacific Minerals, Inc and Trapper Mine. The Company reimburses Interwest or
13 directly pays the actual costs incurred by Interwest for providing services under the
14 Agreement. The Company’s relationship with Interwest establishes an “affiliated interest,” as
15 defined in ORS. 757.015(2).

16 The Company entered into an agreement with Interwest on January 1, 1993 for a five-
17 year term with the possibility of renewal for additional five-year terms. Interwest and the
18 Company renewed the agreement in 1998, 2003 and 2008, under the same terms and

1 conditions as the original agreement. The Company has been including Interwest in its
2 annual affiliate interest report filed annually with the Commission. Additionally, the
3 Company has included expenses to Interwest in rate proceedings. Commission Staff
4 reviewed the Company's records of transactions with Interwest during the Audit of the
5 Company's 2008 Operations and found no record of a filing for approval of the Agreement
6 with Interwest. Staff's Audit Report No. 2008-002 of the Company's 2008 Operations
7 recommended that the Company either produce a Commission order approving the
8 Agreement or submit an application for approval of the Agreement. The Company has been
9 unable to locate a Commission order approving the Agreement.

10 With this Application, the Company requests Commission approval of the affiliated
11 interest agreement with Interwest described below.

12 **II. Compliance with OAR 860-027-0040 Filing Requirements**

13 **A. Exact Name and Address of Principal Business Office**

14 The Company's exact name and address of its principal business office are:

15 PacifiCorp
16 825 NE Multnomah Street
17 Portland, OR 97232

18 **B. Communications and Notices**

19 All notices and communications with respect to this Application should be addressed
20 to:

21 PacifiCorp Oregon Dockets
22 825 NE Multnomah Street, Suite 2000
23 Portland, OR 97232
24 OregonDockets@pacificorp.com

Michelle R. Mishoe
Legal Counsel
Pacific Power
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-5977
Fax (503) 813-7252
michelle.mishoe@pacificorp.com

29 In addition, Pacific Power respectfully requests that all data requests regarding this
30 matter be addressed to:

31 By e-mail (**preferred**) datarequest@pacificorp.com

1 By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

2
3
4
5 Informal inquires may be directed to Joelle Steward, Regulatory Affairs Manager, at
6 (503) 813-5542.

7 **C. Relationship Between PacifiCorp and Affiliated Interest**

8 Interwest is a wholly-owned subsidiary of the Company. Therefore, Interwest is an
9 “affiliated interest” as set forth in ORS 757.015(2).

10 **D. Voting Securities**

11 The Company owns 100 percent of the voting stock in Interwest. Interwest does not
12 own voting stock in the Company.

13 **E. Common Officers and Directors**

14 The Company and Interwest share one officer—Bruce N. Williams is Vice President
15 and Treasurer of PacifiCorp and Treasurer of Interwest. The following officers of PacifiCorp
16 serve on the Board of Directors of Interwest: A. Robert Lasich, Dean S. Brockbank and
17 Bruce N. Williams.

18 **F. Pecuniary Interest**

19 No officer or director of either the Company or Interwest is a party to or has a
20 pecuniary interest in the contemplated business transactions between the Company and
21 Interwest.

22 **G. Description of Goods and Services Provided; Cost(s) Incurred; Market**
23 **Value; Pricing Methods**

24 Interwest provides administrative, managerial and technical services to Energy West
25 Mining Company, Pacific Minerals, Inc., and Trapper Mine. Interwest assists the Company
26 in managing mines by providing services related to specialized accounting, finance and

1 information services related to mining, budgeting, long-range construction, engineering,
2 reclamation, geological support, economic evaluation of mine plans and equipment, and
3 performance of mine efficiency studies. Interwest also assists the Company with property
4 management, property acquisition and royalty reporting with respect to the Company's coal
5 reserves, properties, mines, facilities and equipment with respect to Energy West Mining
6 Company, Pacific Minerals, Inc., and Trapper Mine.

7 Additionally, the Company provides general support services to Interwest. These
8 general support services include accounting assistance and advisory services, including but
9 not limited to payroll processing and accounting, accounting of benefit plans for salaried
10 employees, preparation of income tax returns, property tax administration, accounts payable
11 and cash management; audit functions related to adherence to established accounting
12 procedures and controls; programming and maintaining accounting and other computer
13 systems, including program maintenance and required forms; and, processing Interwest's
14 transactions on a periodic basis.

15 The Company reimburses Interwest or directly pays the actual costs and expenses
16 incurred by Interwest, without profit.

17 **H. Estimate of Amount PacifiCorp will Pay Annually for Services**

18 The Company pays approximately \$685,000 annually under the Agreement.

19 **I. Reasons Relied Upon for Procuring the Proposed Services, and Benefits**
20 **to the Public**

21 In 1988, PacifiCorp Maine, a predecessor of PacifiCorp, completed its acquisition of
22 Utah Power and Light Company.¹ After the merger, it was decided that the mining operations
23 should be a separate company or companies from PacifiCorp. Interwest was created as a

¹ Docket No. UF 4000, Order No. 88-767.

1 separate company to more efficiently manage PacifiCorp's mining operations. The public
2 benefits from efficient mine management as a means to control costs of providing safe and
3 reliable electric service.

4 **J. Description of the Procurement Process**

5 Please refer to Section I above.

6 **K. Relationship of Cost of Provision of Services and Market Value**

7 The Company reimburses Interwest or directly pays the actual costs and expenses
8 incurred by Interwest, without profit. Interwest employees receive the same levels of
9 compensation as employees of the Company.

10 **L. Contracts Between Affiliated Interest and PacifiCorp**

11 A copy of the Services Agreement is attached as Attachment A.

12 **M. Copy of Board Resolutions**

13 The Agreement with Interwest did not require a resolution from the Company's board
14 of directors.

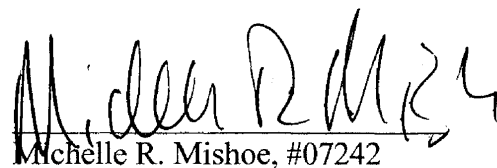
15 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that
16 the Commission issue an order authorizing PacifiCorp to continue conducting business with
17 Interwest Mining Company, pursuant to the provisions of ORS 757.495 and OAR 860-027-
18 0040.

19 DATED: May 12, 2009.

20

Respectfully submitted,

21



22

Michelle R. Mishoe, #07242

23

Legal Counsel

24

Pacific Power

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ATTACHMENT A

Services Agreement

SERVICES AGREEMENT

THIS AGREEMENT is made and entered into effective as of January 1, 1993 (the "Effective Date"), by and between PacifiCorp, an Oregon corporation ("PacifiCorp"), and Interwest Mining Company, an Oregon corporation ("Interwest").

RECITALS

A. PacifiCorp owns coal reserves, properties, mines, facilities and equipment in Colorado, Utah, Washington and Wyoming (collectively, the "Assets").

B. PacifiCorp wishes to engage Interwest to provide certain technical support services to PacifiCorp with respect to the Assets, and Interwest wishes to accept that engagement.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement, the parties agree as follows:

1. Term. This Agreement shall commence on the Effective Date and shall remain in effect until January 1, 1998. The parties may renew this term by mutual agreement for successive five (5) year periods commencing on January 1, 1998. During the initial term or any renewal term, either party may terminate this Agreement by giving sixty (60) days prior written notice to the other party.

2. Technical Support Services Provided by Interwest.

2.1 Mine Management Support. Interwest shall assist PacifiCorp in managing the mines included in the Assets. The areas in which Interwest shall assist PacifiCorp shall include, without limitation, specialized accounting, finance and information services relating to mining, budgeting, long-range mine planning, performance of feasibility studies, capital construction, engineering, reclamation, geological support, economic evaluation of mine plans and equipment, and performance of mining efficiency studies.

2.2 Property Management. Interwest shall assist PacifiCorp in property management, property acquisition, and royalty reporting with respect to the Assets.

2.3 Miscellaneous Services. Interwest shall provide miscellaneous services in addition to those enumerated above which PacifiCorp may require and Interwest may agree to provide from time to time.

3.1 General Support Services Provided by PacifiCorp.

PacifiCorp will provide the following services to Interwest to support and facilitate the provision of services by Interwest hereunder in an efficient and economical manner and in consideration of the services to be provided by Interwest hereunder: (a) accounting assistance and advisory services, including but not limited to payroll processing and accounting, accounting of benefit plans for salaried employees, preparation of income tax returns, property tax administration, accounts payable and cash management; (b) the normal audit functions required to ensure proper adherence to established accounting procedures and controls; (c) programming and maintaining accounting and other computer systems, including program maintenance and required forms; and (d) processing Interwest's transactions on a periodic basis.

3.2 Insurance. PacifiCorp shall obtain and maintain insurance against the reasonably insurable risks of conducting operations on the Assets, to the extent that such risks can be insured against at standard rates. All such insurance policies shall designate Interwest as an additional insured.

3.4 Miscellaneous Services. PacifiCorp shall provide miscellaneous services in addition to those enumerated above which Interwest may require and PacifiCorp may agree to provide from time to time.

3.5 Availability of Services to Third Parties. Interwest may make available to third parties approved in writing by PacifiCorp the general support services to be provided by PacifiCorp under this Agreement.

4. Independent Contractors. Each party shall perform the services that it is to provide under this Agreement as an independent contractor to the other party. Each party shall supervise and direct its own employees in the performance of such services. This Agreement shall not be construed to create a lease, partnership, mining partnership, agency relationship or any relationship other than that of independent contract between the parties. Notwithstanding any provision of this Agreement, each party shall be solely responsible for the management of its workforce and the operation of a safe environment in compliance with all applicable laws and regulations.

5. Charges.

5.1 Interwest Charges. PacifiCorp shall, on reasonable notice from Interwest, reimburse Interwest, or directly pay the actual costs and expenses incurred by Interwest, without profit, to perform the services described in Section 2 of this Agreement (the "Interwest Charges").

5.2 Budgets. PacifiCorp and Interwest shall cooperate to establish periodic budgets for the Interwest Charges. To the extent practicable, Interwest shall obtain PacifiCorp's prior consent to any material variances from established budgets.

5.3 Books and Records; Audits. Interwest shall maintain accurate books and records of its charges under this Agreement, all in accordance with the uniform system of accounts prescribed for electric utilities by the Federal Energy Regulatory Commission or under PacifiCorp's accounting policies and procedures consistent with generally accepted accounting principles. PacifiCorp may, upon reasonable notice to Interwest, audit Interwest's books and records relating to activities under this Agreement.

6. Default. If either party defaults in its performance under this Agreement, the other party may notify the defaulting party in writing of the alleged default, specifying the alleged default in reasonable detail. The defaulting party shall have thirty (30) days after receiving the notice within which to begin good faith action to correct the alleged default. If a default is not cured as provided in this Section, the nondefaulting party may terminate this Agreement upon notice to the defaulting party.

7. Force Majeure. Except for the duty to make payments when due under this Agreement, neither party shall be liable to the other for delay or failure to perform under this Agreement during periods in which its performance is prevented or delayed by any cause reasonably beyond the control of such party. The party prevented from performing shall promptly notify the other party and shall exercise diligence in an endeavor to remove or overcome the cause of the inability to comply; provided, however, that the settlement of strikes and lockouts or any decision to challenge or not to challenge the validity of a statute or regulation shall be entirely within the discretion of the party subject to force majeure.

8. Indemnity. Each party shall defend, indemnify and hold harmless the other party and its directors, officers, employees and agents from any loss, suit, action or claim (including but not limited to costs and attorneys' fees) by reason of injury (including but not limited to death), to any person, or damage to or destruction of property, arising from or in connection with, services provided by the indemnifying party under this Agreement, except for injury or damage arising by the other party's sole negligence.

9. General Provisions.

9.1 Notices. Any notices, payments, reports or other information to be given, made or delivered to the parties shall be sufficient if mailed by United States mail, postage prepaid, certified, addressed as follows:

PacifiCorp: One Utah Center
201 South Main Street, Suite 2300
Salt Lake City, UT 84141-0020
Attn: Vice President Fuels

Interwest: One Utah Center
201 South Main Street, Suite 2000
Salt Lake City, UT 84141-0020
Attn: President

or to such other address or addresses as each of the parties may by notice designate in writing. Any notice shall be deemed to have been given, and any payments or deliveries shall be deemed to have been made, at the time of mailing.

9.2 Governing Law. This Agreement shall be governed by the laws of the State of Utah applicable to contracts made and entered into in Utah.

9.3 Entire Agreement. This Agreement constitutes the final and entire agreement between the parties and may be modified or amended only by a written instrument signed by both parties.

IN WITNESS WHEREOF, the parties have executed this Agreement this 9th day of ~~January~~, 1994, to be effective as of the Effective Date. February



PACIFICORP

By: Edward E. McNamee
Printed Name: _____
Title: _____

INTERWEST MINING COMPANY

By: J. Brett Young
Printed Name: _____
Title: _____

CONSENT OF THE BOARD OF DIRECTORS

OF

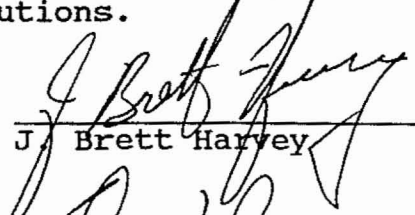
PACIFIC MINERALS, INC.

Pursuant to the provisions of Section 17-16-821 of the Wyoming Business Corporation Act, we the undersigned, being all of the directors of Pacific Minerals, Inc., a Wyoming corporation (the "Company"), hereby adopt and consent to the adoption of the following resolutions, effective as of January 21, 1994:

RESOLVED, that the Services Agreement between the Company and Interwest Mining Company, in the form of the typed draft dated January 12, 1994 (the "Services Agreement") be and the same hereby is approved with such changes as the officer executing the same shall approve, such approval to be exclusively evidenced by his or her execution thereof; and further

RESOLVED, that each of the President or any Vice President of the Company is authorized, directed and empowered for and on behalf of the Company to execute and deliver the Services Agreement; and further


RESOLVED, that the officers of the Company are hereby authorized, in its name and on its behalf, to execute and deliver any and all such agreements, instruments and other documents, and to do and perform any and all such other acts and things as in the judgment of such officers may be necessary or desirable to carry out the purposes of the foregoing resolutions.



J. Brett Harvey



Dee W. Jense



F. R. Key

One Utah Center
201 South Main, Suite 2100
Salt Lake City, Utah 84140-0021
(801) 220-4140 • FAX (801) 220-4725

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED



A Subsidiary of PacifiCorp

PacifiCorp
Lloyd Center Tower
825 N E Multnomah, Room 2000
Attention: Mr. Andrew Haller

Re: Renewal of Interwest Mining Company Services Agreement

Dear Mr. Haller:


This letter is being sent pursuant to the renewal provision of Section 1 of that certain Services Agreement, dated as of January 1, 1993, by and between PacifiCorp and Interwest Mining Company ("IMC") (the "Services Agreement").

Effective as of January 1, 2003, IMC hereby agrees to renew the Services Agreement for an additional five-year term with all other terms remaining the same.

Please indicate PacifiCorp's agreement to renew the Services Agreement for an additional five-year term with all other terms remaining the same by signing the enclosed additional copy of this letter and returning the signed letter to me at the address above.

Sincerely yours,

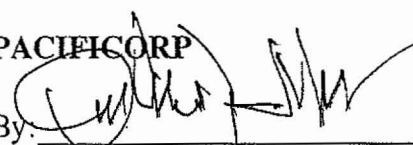
INTERWEST MINING COMPANY

By: 
Name: Dee W. Jense

Title: President

Dated effective as of January 1, 2003

Effective as of January 1, 2003, PacifiCorp hereby agrees to renew the Services Agreement for an additional five-year term with all other terms remaining the same.

PACIFICORP
By: 
Name: _____

Title:

Title:

Dated effective as of January 1, 2003



1407 W. North Temple, Suite 310
Salt Lake City, UT 84116

Mr. Dean Brockbank
PacifiCorp Energy
1407 W. North Temple, Suite 320
Salt Lake City, UT 84116

SUBJECT: Renewal of Interwest Mining Company Service Agreement

Dear Mr. Brockbank:


This letter is being sent pursuant to the renewal provision of Section 1 of that certain Services Agreement, dated January 1, 1993, by and between PacifiCorp and Interwest Mining Company ("IMC") (the "Services Agreement").

Effective as of January 1, 2008, IMC hereby agrees to renew the Services Agreement for an additional five-year term, with all other terms remaining the same.

Please indicate PacifiCorp's agreement to renew the Services Agreement for an additional five-year term with all other terms remaining the same by signing the enclosed additional copy of this letter returning the signed letter to me at the above address.

Sincerely,

INTERWEST MINING COMPANY

By: 

Name: A. Robert Lasich

Title: President

Dated: Effective as of January 1, 2008

Effective as of January 1, 2008, PacifiCorp hereby agrees to renew the Services Agreement for an additional five-year term with all other terms remaining the same.

PACIFICORP

By: 

Name: Dean S. Brockbank

Title: Vice President & General Counsel, PacifiCorp Energy

Dated: Effective as of January 1, 2008