



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

March 20, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

Attn: Filing Center

RE: UP ____—Application for an Order Authorizing the Lease of Certain Property in or near
Montpelier, Idaho to Woolstenhulme Farms

Enclosed for filing by PacifiCorp d/b/a Pacific Power is an application for an order authorizing
the lease of certain property in or near Montpelier, Idaho to Woolstenhulme Farms.

PacifiCorp respectfully requests that all 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 St., Suite 2000
Portland, OR 97232

Please direct informal questions with respect to this filing to Natasha Siores, Director of
Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Sincerely,


R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of the Application of
PACIFICORP d/b/a PACIFIC POWER
for an Order Authorizing the Lease of
Certain Property in or near Montpelier,
Idaho

APPLICATION OF PACIFICORP

1 Under ORS 757.480(1)(a) and in accordance with OAR 860-027-0025, PacifiCorp
2 d/b/a Pacific Power (PacifiCorp or Company), seeks approval from the Public Utility
3 Commission of Oregon (Commission) for the proposed lease of certain property located in
4 Montpelier, Idaho to Woolstenhulme Farms (Lessee) for the purpose of grazing livestock and
5 growing agricultural crops. In support of this Application, PacifiCorp states the following:

6 **I. Background**

7 PacifiCorp owns property near Montpelier, Idaho which was purchased in the 1980s
8 as part of flood mitigation efforts in the area. That property is considered part of the
9 hydroelectric generation projects and is included in ratebase. PacifiCorp proposes leasing
10 749 acres of that property to Lessee to allow for grazing of livestock and growing alfalfa.
11 Additionally, PacifiCorp proposes to lease certain water rights to Lessee to support Lessee's
12 agricultural purpose. There are no PacifiCorp facilities located on the property and the
13 property is not otherwise used in operations. Included with this Application as Attachment A
14 is the Agricultural Lease Agreement by and between PacifiCorp and Lessee (Lease).

15 Lessee intends to lease the property for five years and will pay \$25,000 rent per year
16 for a total of \$125,000. Hydroelectric assets are system-allocated assets. The value of the
17 Lease to Oregon will be approximately \$32,600 over the five-year term of the Lease.

18 PacifiCorp files this Application in accordance with Order No. 14-254, following the

1 Commission's directive to interpret ORS 757.480 as applying to the total value of an asset
2 disposition rather than the system-allocated value. As more fully explained below, this
3 transaction will not affect PacifiCorp's ability to perform its public duties.

4 **II. Compliance with OAR 860-027-0025(1) Filing Requirements**

5 **A. Address**

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

7 PacifiCorp
8 825 NE Multnomah Street
9 Portland, OR 97232

10 **B. State in which incorporated; date of incorporation; other states in which**
11 **authorized to transact utility business**

12 PacifiCorp is a corporation organized and existing under and by the laws of the State
13 of Oregon. PacifiCorp's date of incorporation is August 11, 1987. PacifiCorp is authorized
14 to provide retail electric service in Oregon, California, Washington, Idaho, Wyoming and
15 Utah.

16 **C. Communications and notices**

17 All notices and communications with respect to this Application should be addressed
18 to:

PacifiCorp Oregon Dockets
825 NE Multnomah St., Ste 2000
Portland, OR 97232
Email: OregonDockets@pacificorp.com

Michelle Mishoe
Senior Counsel
PacifiCorp
825 NE Multnomah St., Ste 1800
Portland, OR 97232
Telephone: 503.813.5977
Facsimile: 503.813.7252
Email: michelle.mishoe@pacificorp.com

19 In addition, PacifiCorp respectfully requests that all data requests regarding this
20 matter be addressed to:

1 By e-mail (**preferred**) datarequest@pacificorp.com
 2 By regular mail Data Request Response Center
 3 PacifiCorp
 4 825 NE Multnomah, Suite 2000
 5 Portland, OR 97232
 6 Informal inquires may also be directed to Natasha Soares, Director of Regulatory
 7 Affairs and Revenue Requirement at (503) 813-6583.

8 **D. Principal officers**

<u>Name</u>	<u>Title</u>
Gregory E. Abel	Chairman of Board & Chief Executive Officer
Stefan A. Bird	President & Chief Executive Officer, Pacific Power
Cindy A. Crane	President & Chief Executive Officer, Rocky Mountain Power
R. Patrick Reiten	President & Chief Executive Officer, PacifiCorp Transmission
Douglas K. Stuver	Senior Vice President & Chief Financial Officer

9 **E. Description of business; designation of territories served**

10 The Company engages in the generation, purchase, transmission, distribution and sale
 11 of electric energy in Benton, Clackamas, Clatsop, Coos, Crook, Deschutes, Douglas, Gilliam,
 12 Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Marion,
 13 Morrow, Multnomah, Polk, Sherman, Tillamook, Umatilla, Wallowa, Wasco, and
 14 Washington Counties in Oregon. PacifiCorp also engages in the generation, purchase,
 15 transmission, distribution and sale of electric energy in the states of Washington, California,
 16 Idaho, Wyoming and Utah.

17 **F. Statement showing for each class and series of capital stock: brief**
 18 **description; amount authorized; amount outstanding; amount held as**
 19 **required securities; amount pledged; amount owned by affiliated**
 20 **interests; amount held in any fund**

21 Not applicable. This transaction does not involve the sale of financial instruments or
 22 PacifiCorp stock.

1 **G. Statement showing for each class and series of long-term debt and notes:**
2 **brief description of amount authorized; amount outstanding; amount**
3 **held as required securities; amount pledged; amount held by affiliated**
4 **interests; amount in sinking and other funds**

5 Not applicable. This transaction does not involve the sale of financial instruments.

6 **H. Purpose of application; description of consideration and method of**
7 **arriving at amount thereof**

8 Lessee would like to use 749 acres of PacifiCorp property in or near Montpelier,
9 Idaho. The property is located approximately 10 miles downstream from the outlet of Bear
10 Lake and was purchased in the 1980s as mitigation for flooding. Lessee intends to graze
11 livestock and grow agricultural crops. Lessee would also like to lease certain water rights to
12 support these agricultural efforts. The Company files this Application to obtain Commission
13 approval of the Lease.

14 PacifiCorp will collect \$25,000 per year over the five-year term of the Lease for a
15 total value of \$125,000. This value was determined upon consultation with the local Farm
16 Service Agency of the United States Department of Agriculture and based on agricultural
17 yields, grazing rates and comparable lease rates in the area.

18 **I. Statement of facilities to be disposed of; description of present use and**
19 **proposed use; inclusion of all operating facilities of parties to the**
20 **transaction**

21 This transaction involves the lease of certain real property that supports hydroelectric
22 facilities owned and operated by PacifiCorp and certain water rights. There are no facilities
23 located on the property that are used in the provision of electric service. However, the
24 property is included in ratebase. As previously described, the Lessee will use the property to
25 graze livestock and grow alfalfa.

1 **J. Statement by primary account of cost of the facilities and applicable**
2 **depreciation reserve**

3 The book value of the property is \$36,270.88.

4 **K. Required filings with other state or federal regulatory bodies**

5 This transaction does not require approvals from any other state or federal regulatory
6 bodies.

7 **L. Facts relied upon by applicant to show transaction is within the public**
8 **interest**

9 ORS 757.480(1) requires Commission approval for leasing of property necessary and
10 useful in the performance of public service with a value in excess of \$100,000. OAR 860-
11 027-0025(1)(l) requires that the utility show that such a proposed sale is “consistent with the
12 public interest.” The Commission has previously held that this standard requires only a “no
13 harm” showing.¹

14 The proposed transaction will not harm customers. PacifiCorp proposes leasing
15 certain real property for agricultural purposes. PacifiCorp holds this property as part of its
16 flood mitigation efforts supporting the Bear River-Bear Lake hydroelectric system. There
17 are no facilities for the provision of electric service on the property and the proposed use
18 under the Lease will not interfere with PacifiCorp’s use of the property. PacifiCorp will be
19 able to continue to provide safe and reliable electric service. Additionally, PacifiCorp does

¹ See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket UM 1011, Order No. 01-778 (Sept. 4, 2001) (“The remainder of the statutory scheme, those statutes governing transfer, sale, affiliated interest transactions, and contracts, either expresses no standard (for instance, ORS 757.480, .485) and has been read to require a no harm standard, or contains a ‘not contrary to the public interest’ standard (ORS 757.490, .495.)”) (emphasis added); *In the Matter of the Application of PacifiCorp*, Docket UP 168, Order No. 00-112, at 6 (Feb. 29, 2000) (regarding the sale of the Centralia generating plant); *In the Matter of Portland General Electric*, Docket UP 158, Order No. 00-111, at 2 (Feb. 29, 2000) (regarding the sale of the Colstrip generating units); *In the Matter of the Application of Portland General Electric*, Docket UP 165/UP 170, Order No. 99-730, at 7(Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

1 not need the water rights to support its operations. Further, PacifiCorp will retain the right to
2 use the property for utility purposes if needed.

3 **M. Reasons relied upon for entering into the proposed transaction; benefits**
4 **to customers**

5 Please refer to sections I. and L., and the Background Section, above.

6 **N. Amount of stock, bonds, or other securities, now owned, held or**
7 **controlled by applicant, of the utility from which stock or bonds are**
8 **proposed to be acquired**

9 Not applicable. This transaction does not involve the sale of stock or other financial
10 instruments.

11 **O. Statement of franchises held; date of expiration; facilities of transferees**

12 Not applicable. This transaction will not affect PacifiCorp's service territory.

13 **III. Compliance with OAR 860-027-0025(2) Filing Requirements**

14 **A. Exhibit A. Articles of Incorporation**

15 Not applicable. Review of the Articles of Incorporation would not advance the
16 Commission's analysis of this Application because the subject transaction involves the
17 leasing of utility property and does not affect the Company's corporate structure or
18 governance.

19 **B. Exhibit B. Bylaws**

20 Not applicable. Review of PacifiCorp's bylaws would not advance the Commission's
21 analysis of this Application because the subject transaction involves the leasing of utility
22 property and does not affect the Company's corporate structure or governance.

23 **C. Exhibit C. Resolution of directors authorizing transaction**

24 This transaction did not require approval from the Company's board of directors.

1 **D. Exhibit D. Mortgages, trust, deeds or indentures securing obligation of**
2 **each party**

3 Not applicable.

4 **E. Exhibit E. Balance sheet showing booked amounts, adjustments to record**
5 **the proposed transaction and pro forma, with supporting fixed capital or**
6 **plant schedules in conformity with the forms in the annual report**

7 This transaction will not materially affect the Company's balance sheet.

8 **F. Exhibit F. Known contingent liabilities**

9 There are no known contingent liabilities associated with this transaction.

10 **G. Exhibit G. Comparative income statements showing recorded results of**
11 **operations, adjustments to record the proposed transaction and pro**
12 **forma, in conformity with the form in the annual report**

13 Not applicable. The transaction will not materially affect the Company's income
14 statement.

15 **H. Exhibit H. Analysis of surplus for the period covered by income**
16 **statements referred to in G**

17 Not applicable. The transaction will not materially affect the Company's income
18 statement.

19 **I. Exhibit I. Copy of contract for transaction and other written instruments**

20 Included with this Application as Attachment A is a copy of the Agricultural Lease
21 Agreement by and between PacifiCorp and Lessee.

22 **J. Exhibit J. Copy of each proposed journal entry to be used to record the**
23 **transaction**

24 At the time of invoicing for the rent due, the Company will debit the Lessee's
25 Accounts Receivable account (FERC Account 1720000 Rents Receivable Current Asset) for
26 the appropriate rental amount and credit to Rent Revenue Hydro (FERC Account 4541000
27 Rents-Common Other Revenue) the same amount. After the Company receives payment

1 from the Lessee, Lessee's Accounts Receivable account will be credited the payment amount
2 and a debit will be made to Main Depository-Deposit Clearing Account (FERC Account
3 131000 Cash Current Asset) in the same amount.

4 **K. Exhibit K. Copy of each supporting schedule showing the benefits, if any,**
5 **which each applicant relies upon to support the facts required by (1)(l) of**
6 **this rule and reasons as required by (1)(m).**

7 This Application and attachments contain the necessary information to demonstrate
8 the benefits of this transaction and for the Commission to base its decision. However, the
9 Company is prepared to provide additional information as requested by the Commission.

10 **V. Prayer for Relief**

11 PacifiCorp respectfully requests a Commission order:

- 12 (a) finding that the leasing of certain real property near Montpelier, Idaho, will
13 not harm the Company's customers and is consistent with the public interest;
14 (b) granting other such relief as the Commission deems necessary and proper.

DATED March 20, 2015.

Respectfully submitted,



Michelle R. Mishoe, # 07242

Senior Counsel
Pacific Power

ATTACHMENT A
Agricultural Lease Agreement

AGRICULTURAL LEASE AGREEMENT

This AGRICULTURAL LEASE AGREEMENT (“Lease”) is entered into by and between PACIFICORP, an Oregon Corporation (“Lessor”), and Brad Woolstenhulme and Lee Ann Woolstenhulme both residents of Montpelier, Idaho and d/b/a Woolstenhulme Farms (“Lessee”).

RECITALS

A. Lessor is the owner of certain real property, herein referred to as the “Premises” located in T. 12 S. R. 44 E., Sections 30, 31, and T. 12 S. R. 43 E. NW ¼ Section 36, B.M., Bear Lake County, State of Idaho. The Premises are more particularly delineated in the attached Exhibit A.

B. Lessor is an investor-owned public utility company providing electric utility service to customers in multiple states. Lessor controls the releases of water from Bear Lake and conveys the water through a canal commonly known as the Outlet Canal and returns the water to the natural channel of the Bear River. Lessor has used, and will continue to use, the Premises as an area to absorb natural flooding and flooding caused by said releases. Lessor has also used, and will continue to use, the Premises for the construction, operation, maintenance, repair, and replacement of electric transmission and distribution lines and other facilities and equipment normally associated with the generation, transmission and distribution of electric power. Lessor has also used or leased, and will continue to use or lease, the Premises for the construction, operation, maintenance, repair and replacement of communication structures, facilities, and equipment. Lessor also uses, and will continue to use, the Premises to access adjoining properties and facilities, including properties and facilities that may be used in the future.

C. Lessee desires to lease the Premises, consisting of approximately 749 acres, more or less, for agricultural uses including grazing of livestock and raising agricultural crops.

TERMS AND CONDITIONS OF AGREEMENT

FOR AND IN CONSIDERATION of the mutual promises and covenants and other consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions set forth below, Lessor and Lessee agree as follows:

1. Purpose and Use; Acknowledgement of Lessor’s Reserved Uses. Lessor does hereby lease the Premises as described in Exhibit “A” which is attached hereto and by this reference made a part hereof. Lessee shall use the Premises for the limited purposes of raising crops and grazing livestock and for no other purposes without written consent of Lessor. Lessee acknowledges that Lessor has reserved the right to use the Premises: for flooding purposes; for the construction, installation, operation, maintenance, repair and replacement of existing or future electric utility facilities; for the construction, installation, operation, maintenance, repair and replacement of existing or future communication facilities, including communications facilities of third-parties allowed to use the Premises under separate lease with, or other permission from, lessor; and for accessing adjoining properties or facilities. Lessee acknowledges that the Premises are subject to flooding from natural causes and as a result of the Lessor’s release of water from Bear Lake for irrigation, flood control or other purposes, and Lessee agrees that its right to use

the Premises is subject to Lessor's superior right to use the Premises as an area to absorb flooding. Lessee agrees that Lessor is not liable for any flood related damage to Lessee's crops, livestock, or other property located on the Premises at any time.

2. Each Lessee Joint and Severally Liable. Brad Woolstenhulme and Lee Ann Woolstenhulme shall each be joint and severally liable for all Lessee obligations under this Lease, including all obligations that survive termination or expiration.

3. Term. The term of this Lease shall be five (5) years, commencing on the **1st day of January 2015 and ending on the 31st day of December 2019**, unless earlier terminated as provided herein.

4. Rent Payments. Lessee shall pay to Lessor a rent payment in the amount of **TWENTY FIVE THOUSAND DOLLARS AND NO/100 (\$25,000.00)** per year for the term of the Lease. The first annual rent payment shall be due and payable upon execution of this Lease. All subsequent payments shall be due and payable in advance on the first day of January each year. All payments shall be mailed to:

*PacifiCorp
Attn: Central Cashiers
P.O. Box 5504
Portland, OR 97228
Customer #10001765*

5. Late Payments. In the event Lessee fails to make its payment within fifteen (15) days after the annual due date specified above, Lessee shall pay, in addition to the rent payment owed, a late payment fee equal to fifteen percent (15%) of the annual payment owed. If Lessee fails to make its payment within thirty days (30) days after the annual due date specified above, Lessee shall pay, in addition to the rent payment and late fee owed, twenty percent (20%) annual interest on the amount of the rent payment and late fee owed.

6. Holdover. If Lessee retains possession of the Premises or any part thereof after the termination of this Lease, Lessee shall be deemed to have a month-to-month tenancy and Lessee shall pay to Lessor a monthly installment of rent, at double the rate due and payable for the month immediately preceding such holdover, computed on a per-month basis, for each month or part of a month (without reduction for any such partial month) that Lessee remains in possession of the Premises. In addition, Lessee shall pay to Lessor all direct and consequential damages sustained by reason of Lessee's retention of possession of the Premises. The provisions of this Paragraph shall not be deemed to limit or exclude any of Lessor's rights of reentry or any other right granted to Lessor under this Lease or at law.

7. Federal and State Programs. Lessee may participate in federal or state agricultural programs, such as but not limited to the Conservation Reserve Program ("CRP") or crop insurance programs, but if Lessee participates in any program that requires alteration of the Premises, Lessee shall first acquire Lessor's written approval. Lessor acknowledges Lessee's participation in certain Federal programs through the Bear Lake County Farm Service Agency of the U.S. Department of Agriculture. Lessor has the right to review any government programs that Lessor's Premises may be entitled to and will determine how potential distributions will be allocated under the conditions of said programs.

8. Acceptance of the Premises. Lessee has examined and knows the condition of the Premises and accepts the Premises in its present condition, AS-IS and with all faults. Lessor makes no representation or warranty as to the condition of the Premises and shall not be required to perform, pay for, or be responsible for any work to ready the Premises for Lessee's occupancy or for any other work whatsoever throughout the term of this Lease.

9. Water Rights. In addition to the use of the premises, Lessee shall have the right to use the following water rights which are appurtenant to the Premises (the "Water Rights"): (a) Water License No.11-1096, priority date of 1889, 7.5 c.f.s.; (b) Water License No. 11-1114, priority date of 1955, 7.5 c.f.s.; and (c) Water License No. 11-1116, priority date of 1955, 1.66 cfs (all of which are on record with Idaho Water Resources and understood to be appurtenant to the Premises and available for use on said Premises). Lessee agrees to maintain in good working order all ditches used to divert water onto the Premises. Lessee shall not allow irrigation water to run uncontrolled onto the Premises or from the Premises onto land not owned or leased by Lessee. Lessee agrees to comply with all terms and limitations of the Water Rights. Lessee agrees to use the Water Rights only for irrigation on the Premises. On or before April 1 of each year of the term of this Lease, Lessee will submit to Lessor an annual written verification of use of Lessor's Water Rights in which Lessee will state to Lessor's satisfaction the dates the Water Rights were used and the amounts of water used. Lessee shall notify Lessor immediately of any use of the Water Rights third persons make or endeavor to make. Lessor makes no warranty or representation regarding the Water Rights. Lessee shall be responsible for the cost of any penalties or damages that may accrue or result from Lessee's use or misuse of the Water Rights.

10. Improvements.

10.1 Written Consent. Lessee may not make any improvements or changes to the Premises (including changing existing ground elevation, excavating, constructing any structure, constructing a lighting structure, or landscaping) without Lessor's prior written consent. If Lessee desires to make any changes or improvements to the Premises, Lessee shall provide Lessor with detailed plans and specifications for the proposed change or improvement at least thirty (30) days in advance of the proposed start of excavation, construction or installation work. In the event Lessee deems the making of any improvement or the changing of any improvement necessary to remove a hazardous condition, it shall notify Lessor and request that Lessor approve the improvement or change in improvement within a shorter time. Lessor shall have the right to conditionally approve, modify, or deny the requested change or improvement at Lessor's sole discretion.

10.2 Irrigation Equipment. This Lease includes use of Lessor's irrigation equipment to be used solely on the Premises for the irrigation of the Premises. An inventory list is attached as Exhibit "B". Lessee agrees to be responsible for any and all costs associated with maintaining all of the included equipment, including, but not limited to, pumps, hoses, fittings, main lines, wheel lines, valves, sprinkler heads, and all other associated parts. Lessee agrees to maintain all equipment in good working condition.

10.3 Workmanlike Manner. All Lessor-approved improvements shall be made in a good and workmanlike manner. Any improvement that violates building codes or the laws or ordinances of any governing jurisdiction, or that harms the Premises in any manner, shall be timely cured by Lessee at Lessee's expense and in a manner satisfactory to Lessor.

10.4 Maintenance of Improvements. Lessee shall keep and maintain all fences, water ditches, irrigation systems, and other improvements existing upon the Premises at the commencement of this Lease (or installed upon the Premises during the term of this Lease after receipt of written approval from Lessor), if any, in good condition and shall perform all routine maintenance and repairs on them at its own labor and expense. Lessee shall not remove or allow any other person to remove from the Premises any of the fences or other improvements without the Lessor's prior written approval.

10.5 Removal of Improvements. All fixtures installed or improvements made by Lessee shall be and remain the property of Lessor. Lessee shall not be entitled to any compensation for any fixtures installed or improvements made to the Premises. If Lessor determines that fixtures installed or improvements made by Lessee need to be removed, then upon receipt or written demand from Lessor, Lessee will remove such fixtures or improvements or reimburse Lessor for all costs incurred by Lessor for any such removal.

11. Restrictions on the Use of the Premises.

11.1 Flammable Materials. Lessee shall not place or store any flammable material (including chemical solvents, fuels, rubbish piles, haystacks, or lumber products) on the Premises and within fifty (50) feet of any power line, existing or future. Motor vehicle fuels and lubricants, if properly contained in a motor vehicle, are excluded from this restriction.

11.2 Storage. Lessee shall not cause or permit any structure, building, motor vehicle, or equipment to be placed, erected, or stored on the Premises without Lessor's prior written consent nor shall Lessee, under any circumstances place any structure, building, motor vehicle, equipment, or object within, or allow any person to come within, twenty (20) feet of any existing or future power lines on the Premises. Lessee understands and acknowledges that electricity can arc between lines and persons or objects within twenty (20) feet of the lines. Lessee assumes all risk of harm should any person, structure, building, motor vehicle, equipment or object be allowed within twenty (20) feet of an existing or future power line in violation of this provision.

11.3 Noxious Weeds. Lessee shall control the growth of any noxious weeds or other growth on the Premises in accordance with the requirements of any governmental agency having jurisdiction or as otherwise required by Lessor.

11.4 Notice of Damages or Theft. Lessee shall provide notice to Lessor of any mortality, theft, vandalism, loss, or damage to the Premises within twenty-four (24) hours of the discovery of any such event.

11.5 Condition of Premises. Lessee shall keep and maintain the Premises in a clean, prudent, and husband-like manner at all times and in conformity with good conservation and business practices.

11.6 Chemicals and Fertilizers. Lessor and Lessee acknowledge that the use of pesticides, chemicals and fertilizers may be necessary to optimize crop production upon the Premises. It is also understood that the use of pesticides, chemicals and fertilizers could cause damage to persons, property and natural resources if improperly applied or used. Lessee shall use

and/or apply insecticides, herbicides, pesticides, chemicals or fertilizers on the Premises only as necessary and in a prudent and responsible manner to minimize any potential harm or damage to the environment. Lessee shall comply in all material respects with existing federal, state and local laws, regulations and ordinances and all manufacturer's instructions and guidelines in the use or application of any insecticide, herbicide, pesticide, chemical or fertilizer on the Premises. **Lessee shall NOT apply any registered pesticides without written approval by Lessor prior to application; such written approval may or may not be granted in Lessor's sole discretion.** Lessee assumes all risk of harm to persons, property, or the environment that may result from Lessee's storage, handling, use or application of any insecticide, herbicide, pesticide, chemical or fertilizer and Lessee agrees to hold Lessor harmless from liability or litigation costs associated with or arising from any such harm.

11.6.1 Annual Accounting of Chemical, Pesticide, Fertilizer application(s). Lessee shall provide Lessor with an annual report of any and all chemicals, pesticides or fertilizers applied on the Premises. The report shall include, but shall not be limited to, the following: type of product applied, brand, chemical name, purpose of use, amount applied, date of application, and location of application (including delineation on a map). Lessee's annual report under this provision is due on the 30th day of November each year.

11.7 Off Road Travel. Use of trucks, tractors, or other large vehicles off of established roads is prohibited except for customary and routine agricultural usage and maintenance of the Premises.

11.8 Animals on the Premises. In the event Lessor allows Lessee to keep animals or livestock of the Premises, Lessee agrees to use all diligence in maintaining the property so as to prevent the escape of any livestock or animals kept upon the Premises, and to indemnify and hold harmless Lessor from any claims arising out of loss from Lessee's livestock or animals kept on, or escaping from, the Premises. Lessee agrees to maintain all fences on or around the Premises in good condition during the term of this lease. Lessee agrees to use best management practices to provide optimal feed for livestock and wildlife.

11.8.1 Annual Reporting of Animals on the Premises. Lessee shall provide Lessor with an annual report regarding the number of animal units per month on the Premises during the term of the lease.

12. Environmental Regulations. Lessee shall strictly comply in all material respects with all federal, state, and local environmental laws, regulations, and ordinances ("Environmental Laws") and shall not use or store on the Premises any hazardous or toxic materials without Lessor's prior written consent. In the event of any spill or release of any hazardous or toxic materials, Lessee shall immediately: (a) prevent any further spill or release; (b) notify Lessor of the spill or release; (c) notify any governmental agency that must be notified under any applicable Environmental Laws; and (d) clean up and remedy any such spill or release. Upon termination of this Lease, Lessee shall deliver the Premises to Lessor free of any material contamination by hazardous or toxic materials. Lessee covenants and agrees to protect, indemnify, and hold Lessor harmless from any and all liability, loss, costs, damage, or expense, including attorneys' fees, resulting from Lessee's failure to comply with the provisions of this paragraph or resulting from contamination of the Premises caused by Lessee or its employees, contractors, invitees, or permittees. The obligations and covenants contained in this paragraph shall survive the expiration or termination this Lease.

13. ALCOHOL, DRUGS, FIREARMS and TOBACCO PROHIBITED. Lessee, its employees, agents, permittees, invitees and/or contractors shall not use, consume, or bring on to the Premises alcohol, illegal drugs, firearms or tobacco products (for the purposes of this Paragraph, marijuana shall be considered a tobacco product if marijuana is not an illegal drug in the state in which the Premises is located).

14. Lessor's Use of Premises.

14.1 Power Lines and other Utility Facilities. It is understood and agreed that Lessor reserves the right to access the Premises at any time and to use the Premises for the purpose of installing, constructing, operating, maintaining, repairing, replacing or removing Lessor's existing or future electric utility or communications equipment, facilities, structures or buildings, including existing or future power lines, transformers, switch gear, communication lines, and microwave or other communication towers (collectively "Lessor Facilities"). It is further understood and agreed that Lessor reserves the right to authorize third-parties to install, construct, operate, maintain, repair, replace or remove existing or future electric utility or communications equipment, facilities, structures or buildings (including cable or fiber optic communications lines) on the Premises (collectively "Third Party Facilities") and that such authorization to third parties may take the form of a lease, permit or other legal relationship between Lessee and the third party. Lessor's reserved rights of access and use shall be superior to Lessee's rights of use. If the addition of new or modified Lessor Facilities or Third Party Facilities requires that Lessee modify, move, or cease any Lessee use, structure, practice, or improvement located on the Premises, Lessor shall give Lessee thirty (30) days advance notice and Lessee agrees to make any such changes at Lessee's expense and within a reasonable period of time (and in any event within thirty (30) days of notice unless a longer period of time is authorized by Lessor). Lessor reserves the right to enter upon the Premises at anytime to access Lessor's Facilities located on the Premises or to access adjacent properties or facilities. Lessor reserves the right to authorize third parties to enter upon the Premises at anytime to access Third Party Facilities.

14.2 Right to Flood Premises; Assumption of Risk; Release. Lessee acknowledges and agrees that all or a portion of the Premises is or may be in a flood plain and that the Premises is subject to partial or total flooding or fluctuations in water levels. Lessee acknowledges and agrees that Lessor purchased the Premises as flood lands. Lessee agrees that it assumes the entire risk of flooding over all or a portion of the Premises, over all or a portion of the fixtures, improvements, buildings or structures located on the Premises, and over all or a portion of Lessee's personal property located on the Premises. This assumption of risk applies to flooding caused by any reason, including without limitation: usual or unusual weather conditions; acts of God; Lessor's release of water from Bear Lake; intentional or unintentional direct or indirect acts of Lessor or Lessor's operators or successors; or negligent acts of Lessor. Lessee hereby releases and waives any existing or future claim against Lessor for flooding damages of any kind, including damages for personal injury or loss of life, or loss of any crops, livestock, equipment, developments, improvements, fixtures, or other property to which Lessee has any claim whatsoever, or which Lessee or Lessee's employees, agents, permittees, invitees or licensees may suffer as a result of such flooding or other fluctuation in water level. Any flooding of the Premises shall not relieve Lessee from making lease payments or performing any other obligations required hereunder which are not rendered impossible by the flooding.

15. No Sublet or Assignment or Lien. Lessee may not sublet the Premises or any part thereof or assign any of its rights under this Lease without Lessor's prior written consent (which Lessor may grant or withhold in its sole discretion). Lessee shall not permit any mechanic's or materialman's lien to be filed against the Premises and in the event any such lien or claim is filed against the Premises as a result of any action or inaction by Lessee, Lessee shall immediately remove the lien through satisfaction of the claim, assertion of valid defenses or initiation and prosecution of an action requiring removal of the lien.

16. Protection of Wildlife Habitat. Lessee shall exercise reasonable care to promote and protect wildlife habitat upon the Premises. Unless Lessee has obtained Lessor's prior written approval of the specific action in question, Lessee shall take no actions to deter the use of the Premises by Wildlife.

17. Soil Erosion. Lessee will control soil erosion as completely as practicable by stripcropping and contouring, by filling in or otherwise controlling small washes or ditches that may form, and by engaging in such other best practices as needed to minimize and control soil erosion. Lessee will keep in good repair all terraces, open ditches, and inlets and outlets of tile drains, preserve all established watercourses or ditches including grass waterways and refrain from any operation or practice that will injure them.

18. Optimization of Crop Production. Lessee shall diligently endeavor to optimize crop production upon the Property in a manner consistent with the purposes set forth herein.

19. Compliance with Law, Preventing Waste. Lessee shall, at all times, comply with all laws, ordinances, and regulations affecting or pertaining to the use or occupation of the Premises, including environmental laws and regulations. Lessee shall indemnify, defend, and hold harmless Lessor from loss, cost, or damage by reason of any actual or alleged violation by Lessee thereof, and from any liability, including fines, penalties and other costs, arising out of Lessee's failure to so comply. Lessee shall at all times keep the Premises in a neat and orderly manner satisfactory to Lessor. Lessee shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing which may disturb adjoining land owners or which may violate the law.

20. Release; Indemnification. Lessee shall use the Property at its own risk and hereby releases and forever discharges any claims, demands or causes of action it may have against Lessor, its officers, directors, employees, subsidiaries and affiliates, arising out of Lessee's use of or activities on or around the Property. In addition, to the maximum extent permitted by law, Lessee shall protect, indemnify and hold harmless Lessor, its officers, directors, employees, subsidiaries and affiliates (collectively "Indemnitees") from and against any losses, claims, liens, demands and causes of action of every kind, including the amount of any judgment, penalty, interest, court cost or legal fee incurred by the Indemnities or any of them in the defense of same, arising in favor of any party, including governmental agencies or bodies, on account of taxes, claims, liens, debts, personal injuries, death or damages to property, violations of Environmental Laws and Regulations, and all other claims or demands of every character arising directly or indirectly out of Lessee's use of or activities on or around the Property. This paragraph shall survive the expiration or termination of this Lease. For purposes of this Lease, "Environmental Laws and Regulations" shall mean all present and future federal, state and local laws and all rules and regulations promulgated thereunder, relating to pollution or protection of the environment. The release and indemnity obligations found in this Lease are intended to be complimentary. A

claim, demand, cause of action, liability or harm may be subject to release and indemnification obligations imposed by more than one paragraph of this Lease.

21. Insurance. Without limiting any liabilities or any other obligations of Lessee, Lessee shall procure and continuously maintain for the duration of this Lease, insurance against claims for injury to persons or damage to property that may arise from, or in connection with, this Lease or Lessee's use or occupancy of the Premises as follows:

21.1 Comprehensive Personal Liability Insurance. Comprehensive personal liability insuring against acts resulting from occupancy, including maintenance and use of the Premises and other insurable acts for which Lessee may be liable, including bodily injury and property damage with a minimum limit of One Million Dollars (\$1,000,000) per occurrence and annual aggregate, if applicable. Requirements may be met with Farm Owner's liability or other appropriate policy form providing required coverages.

21.2 Automobile Liability. Automobile insurance with a combined single limit of not less than One Million Dollars (\$1,000,000) covering bodily injury and property damage.

21.3 Personal Property Insurance. Lessor shall provide no insurance on Lessee's personal property. It is Lessee's option to insure any and all damages resulting from fire, wind, vandalism, theft, falling objects and any other perils that may cause loss or damage to Lessee's personal property located on the Premises.

21.4 Certificate of Insurance. Lessee shall annually provide to Lessor a certificate of insurance evidencing its insurance coverage. The policies required herein shall include provisions or endorsements naming Lessor, its parent, affiliates, subsidiaries, its officers, directors, agents, employees or servants as additional insured. All insurance mentioned in 21.1, 21.2 and 21.3 shall include waivers of subrogation in favor of the Lessor.

21.5 Lessee's Insurance Primary. To the extent of Lessee's negligent acts or omissions, all policies required under this Lease shall include provisions that such insurance is primary with respect to the interest of Lessor and that any other insurance and self-insurance maintained by Lessor is excess and noncontributory insurance with the insurance required hereunder, and provisions that the policy contain a cross liability or severability of interest clause or endorsement.

21.6 No Right of Recovery or Subrogation. Unless prohibited by applicable law, all required insurance policies shall contain provisions that the insurer will have no right of recovery or subrogation against Lessor, its parent, divisions, affiliates, subsidiaries companies, co-lessees, or co-venturers, agents, directors, officers, employees, servants, and insurers, it being the intention of the Lessor and Lessee that the insurance as affected shall protect all parties.

21.7 Adequate Coverage. Lessor does not represent that the insurance coverage specified herein (whether in scope of coverage or amounts of coverage) is adequate to protect the obligations of the Lessee, and Lessee shall be solely responsible for any deficiencies thereof.

21.8 Notification of Insurance Cancellation. Lessee shall notify Lessor as soon as possible in the event that any policies become subject to cancellation and will provide to Lessor proof of replacement coverage prior to the cancellation effective date.

22. Taxes. Lessor shall pay taxes levied on the Premises and Lessee shall pay all taxes on Lessee's personal property used on the Premises.

23. Termination. This Lease may be terminated upon the happening of any of the following events:

23.1 Breach. If Lessee breaches any of the covenants or provisions herein provided, including the failure to pay rent or any other monetary sums required under this Lease, Lessor, at its option, may terminate this Lease and immediately re-enter and repossess the Premises either with or without legal process and without giving notice to quit to Lessee, which notice is expressly waived by Lessee in case of such breach.

23.2 Abandonment. In the event Lessee abandons the Premises, Lessor may, in addition to all other remedies, immediately reenter the Premises and take full possession thereof and exclude Lessee from any attempted renewed use of the Premises.

23.3 Termination by Notice. Lessor may terminate this Lease at any time during the term hereof by giving sixty (60) days written notice to Lessee of its intention to do so.

24. Events Upon Expiration or Termination. Upon the expiration or termination of this Lease, Lessee shall promptly remove all personal property and shall surrender the Premises in good condition satisfactory to Lessor, reasonable wear and depreciation due to use excepted. Within thirty (30) days of termination under Paragraphs 23.1 or 23.2, or within thirty (30) days of Lessor providing the notice to Lessee required by Paragraph 23.3, the Lessee shall pay to the Lessor any and all rent outstanding or other payments or obligations due to Lessor under this Lease. Such payment shall not prohibit Lessor from seeking any other relief to which it is entitled under this Lease or applicable law. The obligations of this Paragraph will survive termination or expiration of this Lease.

24.1 Additional Events Upon Termination. In the event Lessor terminates this Lease pursuant to Paragraph 23.3, and termination occurs between January 1 and June 30, Lessee will be allowed to recover any and all crops from the Premises that were planted prior to Lessor providing notice of termination. Such removal of crops will occur as soon as conditions permit. In the alternative to allowing Lessee to remove such crops, Lessor may elect (in its sole discretion) to refund to Lessee the amount of rent (\$25,000.00) paid for the year in which termination occurs. The provisions of this Paragraph apply only to termination by notice under Paragraph 23.3 and not to termination under Paragraph 23.1 (breach by Lessee) or Paragraph 23.2 (abandonment). This provision will survive termination or expiration of the Lease.

25. Miscellaneous.

25.1 Notice. Except when actual receipt is expressly required by the terms hereof, notice is considered given either: (i) when delivered in person to the recipient named below, (ii) after deposit in the United States mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage prepaid, addressed by name and

address to the party or person intended, or (iii) after being transmitted by facsimile to the person and party intended and to the facsimile number indicated below, with machine confirmation of satisfactory transmittal. All notices shall be given to the following:

Lessor: PacifiCorp
Property Management Dept
1407 W. North Temple #110
Salt Lake City, UT 84116
Fax: 801-220-4373

Lessee: Brad Woolstenhulme
Lee Ann Woolstenhulme
Woolstenhulme Farms
115 Valley View
Montpelier, ID 83254
Fax: 208-847-2850

A single writing to Brad and Lee Ann Woolstenhulme sent to the above identified address or facsimile number will be deemed sufficient notice to both Brad Woolstenhulme and Lee Ann Woolstenhulme, both of whom are joint and severally liable for the Lessee's obligations under this Lease. Upon written notification, either party may designate a different individual(s) or address for notices.

25.2 Titles and Captions. Section or Paragraph titles and captions in this Lease are for convenience only and shall not be deemed part of this Lease and in no way define, limit, augment, extend, or describe the scope, content, or intent of any part or subparts of this Lease.

25.3 Applicable Law. This Lease shall be construed in accordance with and governed by the laws of the State of Idaho.

25.4 Binding Effect Upon Successors. This Lease shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, legal representatives, and assigns; provided that this provision shall not be construed as permitting assignment, substitution, delegation, or other transfer of rights or obligations except strictly in accordance with the provisions of this Lease, including Paragraph 15.

25.5 Integration. This Lease constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supersedes all prior agreements and understandings pertaining thereto. No covenant, representation, or condition not expressed in this Lease shall affect or be deemed to interpret, change, or restrict the express provisions hereof.

25.6 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such right or remedy or of any other covenant, agreement term, or condition. Any party may, by notice delivered in the manner provided in this Lease, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of any other party. No waiver shall affect or alter the remainder of this Lease but each and every

other covenant, agreement, term, and condition hereof shall continue in full force and effect with respect to any other breach.

25.7 JURY TRIAL WAIVER. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS LEASE. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

25.8 Rights and Remedies. The rights and remedies of any of the parties shall not be mutually exclusive, and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provisions. Each of the parties confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to or shall limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other parties for a breach or threatened breach of any provision hereof, it being the intent of this paragraph to make clear the agreement of the parties that the respective rights and obligations of the parties hereunder shall be enforceable in equity as well as at law or otherwise.

25.9 Severability. In the event that all or any part of any condition, covenant, or provision of this Lease is held to be invalid, unenforceable, or void by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Lease and shall in no way effect: (a) the remaining portion of the covenant, condition or provision in question; or (b) any other covenant, condition or provision contained herein. If all or any part of a condition, covenant, or other provisions shall be deemed invalid or void due to its scope or breadth, such invalid or void provision or language shall be deemed valid to the extent of the scope or breadth permitted by law.

25.10 Enforceability and Litigation Expenses. If any action, suit, or proceeding is brought by a party hereto with respect to a matter or matters covered by this Lease or if a party finds it necessary to retain an attorney to enforce its rights under this Lease, all costs and expenses of the prevailing party incident to such proceeding or retention, including reasonable attorney's fees, shall be paid by the non-prevailing party. A party shall not be considered a "prevailing party" for purposes of this provision if the party refused a settlement offer from the other party and then recovered less than the value of the rejected settlement offer in resolution of the legal dispute in question.

25.11 Authorization. Each individual executing this Lease represents and warrants that they have been duly authorized by appropriate action of the governing body of the party for which they sign to execute and deliver this Lease in the capacity and for the entity set forth where they sign and that as a result of their signature, this Lease shall be binding upon the party for which they sign.

25.12 Interpretation. All parties have had the opportunity to negotiate this Lease and to seek the advice of legal counsel prior to entering into this Lease. The provisions of this

Lease shall not be construed against the drafter. Unless the context requires otherwise, the term “including” contemplates “including but not limited to”.

25.13 Recordation. This Lease may not be recorded on behalf of either party, but in lieu thereof, Lessor and Lessee agree that each will, upon execution of this Lease, execute, in recordable form, a “short form” of the Lease, which shall contain a description of the Premises, the term of the Lease, and the parties to the Lease. The short form of the Lease shall not modify the terms of the Lease or be used in interpreting the Lease and in the event of any inconsistency between this Lease and the short form of the Lease, the terms and conditions of this Lease shall be controlling.

IN WITNESS WHEREOF, the Lessor PacifiCorp and Lessees Bard Woolstenhulme and Lee Ann Woolstenhulme have executed this Lease in duplicate on the last date indicated below.

LESSOR
PACIFICORP, an Oregon corporation

LESSEE
D/B/A Woolstenhulme Farms

BY: _____
Stuart Kelly, Director

Brad Woolstenhulme

Date: _____

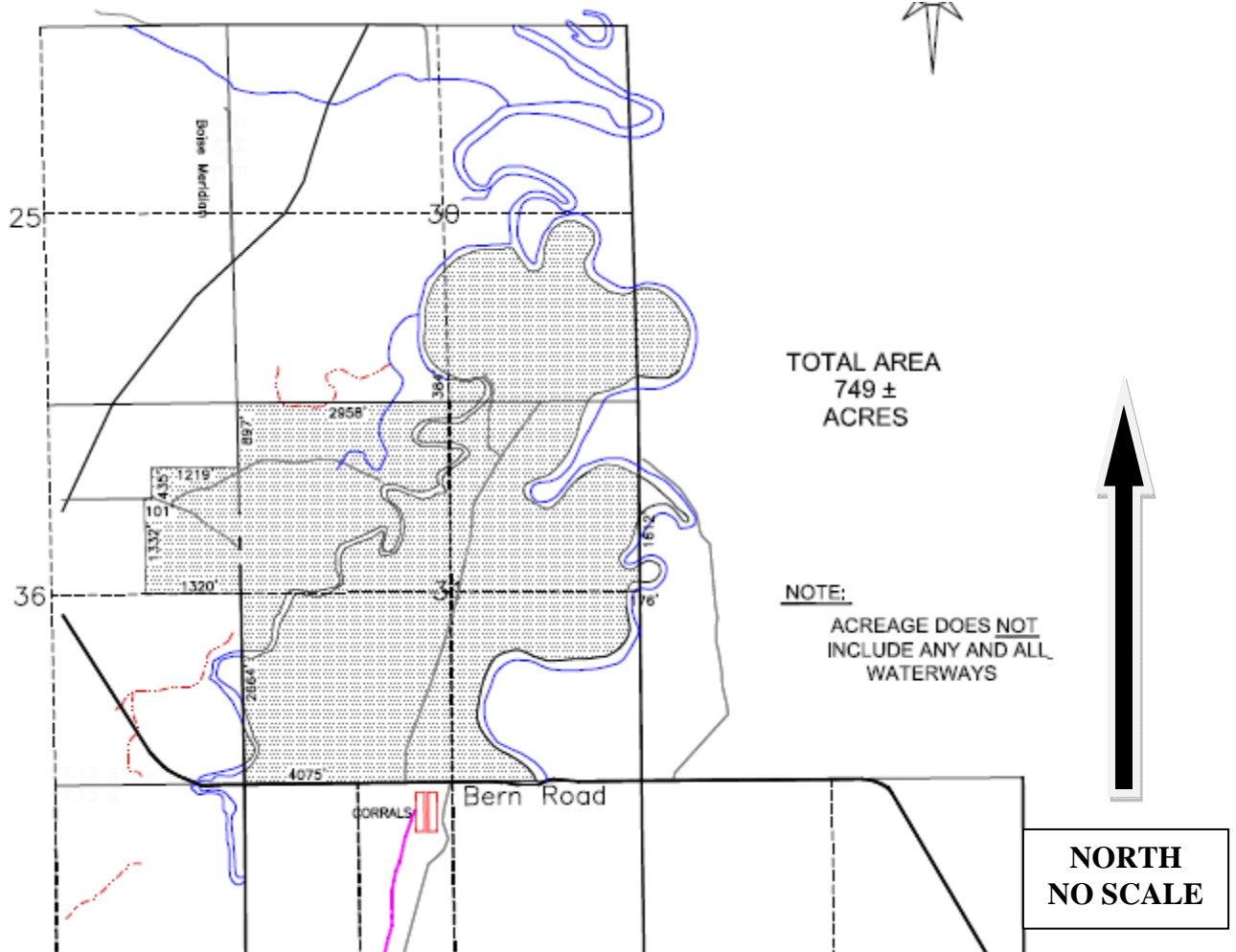
Date: _____

Lee Ann Woolstenhulme

Date: _____

EXHIBIT "A"

A tract of land situate in T. 12 S. R. 44 E., Sections 30, 31, and T. 12 S. R. 43 E. NW ¼ Section 36, B.M., Bear Lake County, State of Idaho



The above-described Premises has not been surveyed and all distances shown are approximate. In the event of any errors or ambiguity in the description, or misunderstanding with respect to the location or extent of the Premises, PacifiCorp reserves the right to resolve the dispute or ambiguity and to designate the configuration and area in dispute on the ground. In case of disagreement, PacifiCorp's designated representative's decision shall be final. PacifiCorp reserves the right at any time to redefine or mark the Premises and to substitute or replace the legal description in this **Exhibit A**.

EXHIBIT “B”
WOOLSTENHULME FARMS
INVENTORY OF IRRIGATION EQUIPMENT

Wheel lines- 5 movers- 8,000 feet of pipe (6 quarters with end drains)
Main lines- 7860 feet of 6 inch (1/4 mile hook and latch balance ring lock
2 hand lines- 1/4 mile each, more or less

4 irrigation motors- all on trailers (all Berkley pumps)
Diesel Caterpillar Motor & Pump (Main pump used regularly)
Diesel Allis Chalmers with turbo and pump (overhauled and used regularly)
Diesel International motor & pump (overhauled about 1999- is not used)
International natural gas motor and pump (located in northwesterly field-
never been used by Brad)
Miscellaneous items:
2 water meters, 1 rainbird volume bun, 1-500 gallon fuel tank, 2-500 gallon
fuel tanks (one on cart), 2 sets of 4” clamps (to carry hand lines), valve
openers and hoses and other irrigation supplies.