


PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 3, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: October 8, 2015

TO: Public Utility Commission

FROM: Scott Gibbens 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFICORP: (Docket No. UI 358) Requests approval of an Affiliated Interest Agreement with FlightSafety International, Inc.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve PacifiCorp's (PacifiCorp or Company) application for approval of an affiliated interest agreement with FlightSafety International, Inc. (FlightSafety), an affiliated interest, subject to the following conditions:

1. PacifiCorp shall notify the Commission of any substantive changes to the Agreement, including any material changes in price or other parameters specified in the Agreement. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
2. PacifiCorp shall report to the Commission, as part of its annual affiliated interest report, all transactions entered into under the Agreement with FlightSafety.

ISSUE:

PacifiCorp requests approval to enter into an affiliated interest agreement with FlightSafety, which provides flight training for pilots.

RULE:

"Affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by any corporation or person owning five percent of the voting securities of a public utility or in any successive chain of ownership of a public utility. ORS 757.495(3) and OAR 860-027-0040 provide that

the Commission may allow a regulated utility to enter into an affiliated interest agreement if the agreement is fair and reasonable and not contrary to the public interest.

ANALYSIS:

PacifiCorp is an indirect, wholly-owned subsidiary of Berkshire Hathaway Energy Company (BHE). BHE is a subsidiary of Berkshire Hathaway, Inc. (Berkshire). FlightSafety is also a subsidiary of Berkshire.

Berkshire's ownership interest in FlightSafety creates an affiliated interest for PacifiCorp through Berkshire's ownership interest in BHE and BHE's ownership interest in PacifiCorp.

The Federal Aviation Administration (FAA) requires that all pilots take flight simulator training at least once per year, and BHE requires pilots to take training at least twice per year. Company's aircraft uses a specific navigation system for which only FlightSafety offers the required training.

Staff's review of this application included examination of the Company's current application, the three license agreements with FlightSafety which includes common carrier pricing, as well as five Staff information requests.

Staff investigated the following issues:

1. Terms and Conditions of the Agreement;
2. Transfer Pricing;
3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

Terms and Conditions of the Agreement

Staff reviewed the Master Professional Services Contract between BHE and FlightSafety as well as the Affiliate Participation Letter which binds PacifiCorp to the terms of the agreement. Staff did not observe any unusual terms or conditions in the Agreement.

Transfer Pricing

Being the only company to offer the specific training required, FlightSafety set the market with their rates. Staff reviewed fees charged by FlightSafety for the pilot training sessions and found those charged to PacifiCorp to be comparable with market rates for recurrent training sessions for other navigation systems and planes. The Company

anticipates paying FlightSafety a total of \$51,600 which covers training over a two-year cycle.

Public Interest

PacifiCorp uses its aircraft to transport personnel throughout its six states in emergency situations and to conduct ordinary-course utility business when doing so is more cost effective than flying commercial. The FAA has mandated the training in order to ensure the safety of the pilots and passengers. Transporting company personnel in a safe and effective manner is in the best interest of the public.

Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all affiliated transactions of the Company through both its annual affiliated interest report and in general rate case filings. Staff's recommended conditions provide for all necessary Commission examination of PacifiCorp's records concerning the Agreement.

Based on the review of this application, Staff concludes:

1. The application regards an affiliated interest agreement that is fair and reasonable and not contrary to the public interest with inclusion of the proposed ordering conditions; and
2. Necessary records are available.

PacifiCorp has reviewed this memo and has not communicated any objections or concerns.

PROPOSED COMMISSION MOTION:

PacifiCorp's application for approval of the Affiliated Interest Agreement with FlightSafety, an affiliated interest, be approved subject to the conditions recommended by Staff.