

October 18, 2017

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UP ___ —PacifiCorp's Application for Renewal of a Water Shares Lease Agreement with Price River Water Users Association

PacifiCorp d/b/a Pacific Power encloses for filing its Application for Renewal of a Water Shares Lease Agreement.

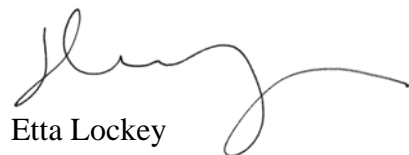
PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

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

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

Please direct informal inquiries with respect to this filing to Natasha Siores at (503) 813-6583.

Sincerely,



Etta Lockey
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for an Order Approving Water Share
Lease with Price River Water Users Association

APPLICATION OF PACIFICORP

Under ORS 757.480(1)(a) and in accordance with OAR 860-027-0025, PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) seeks approval from the Public Utility Commission of Oregon (Commission) of a Water Share Lease (Agreement) between PacifiCorp and Price River Water Users Association (PRWUA), a non-affiliate, for certain water rights shares (Water Shares) in Carbon County, Utah. PacifiCorp owns 2,121.20 shares of water rights in PRWUA, and is thereby entitled to receive the associated water amounts at its Carbon generation facility. PacifiCorp has maintained the Water Shares in good standing by paying assessments, putting the associated water to beneficial use, and by satisfying all other requirements and obligations imposed by PRWUA and other applicable regulatory authorities.

I. BACKGROUND

The Carbon plant ceased power generation in May 2015. Its portfolio of water rights includes direct flow rights from the Price River and shares in the PRWUA, which is water stored in Scofield Reservoir. PacifiCorp intends to retain all of its water rights and shares, and lease them. On January 5, 2016, PacifiCorp entered into a one year lease agreement with

PRWUA for the shares, and in December 2016 the term was extended for an additional year¹. Both parties are requesting a new five-year agreement. Both PacifiCorp and PRWUA desire to renew the terms of the agreement for five years with the term commencing January 6, 2018.

PacifiCorp owns 2,121.20 shares of stock in PRWUA. The amount of actual water depends on the amount of water available each season and the annual allocation is set by the PRWUA Board. If there is a full allocation, PacifiCorp's shares will be allotted 2,121.20 acre-feet of water. The only water users that can legally use the subject water shares are members of the Price River Water Users Association.

The anticipated revenue to PacifiCorp from the lease is estimated to be approximately \$45,000 annually (or, approximately \$225,000 over the life of the five-year Agreement), with the actual annual amount to be determined within 60 days of lessee notifying PacifiCorp of the shares to be leased and lease price in accordance with Section 3 of the Agreement. A copy of the Agreement is included hereto as Attachment A.

II. COMPLIANCE WITH OAR 860-027-0025(1) FILING REQUIREMENTS

A. Name and Address

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

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

¹ PacifiCorp filed Notices of Property Disposition for the Execution of Water Shares Lease Agreement with PRWUA on March 4, 2016 (UPN 13) and the Extension of Water Shares Lease Agreement with PRWUA on February 27, 2017 (UPN 31). Both Notices were closed without Order.

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

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

C. Communications and notices

All notices and communications with respect to this application should be addressed to:

Jeffery B. Erb
Chief Corporate Counsel & Corporate Secretary
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Telephone: 503.813.5029
Email: jeff.erb@pacificorp.com

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

Additionally, 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

Informal inquiries should also be directed to Natasha Siores, State Regulatory Affairs Manager at (503) 813-6583.

D. Principal officers

NAME	TITLE
Gregory E. Abel	Chairman of the Board & Chief Executive Officer
Cindy A. Crane	President & Chief Executive Officer, Rocky Mountain Power
Stefan Bird	President & Chief Executive Officer, Pacific Power
Nikki L. Kobliha	Vice President, Chief Financial Officer & Treasurer

E. Description of business; designation of territories served

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

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

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

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

Not applicable. This transaction does not involve the sale of long-term debt or notes.

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

The purpose of this application is to satisfy ORS 757.480 and OAR 860-027-0025, as the lease constitutes a technical (although temporary) “disposition” of utility assets. Until December 2016, the Water Shares were considered system-allocated assets. In December

2016, these assets were transferred from FERC Account 31030—Steam Production Plant Land and Land Rights, to FERC Account 121—Nonutility Property. PacifiCorp estimates it will collect \$225,000 over the life of the five-year Agreement. The lease price and payment schedule were determined through negotiations between the Price River Water Users Association and PacifiCorp. The only water users that can legally use the subject water shares are members of the Price River Water Users Association. Lease pricing is determined through an open bid process with all available water users, and is outlined in detail in Section 3.1.C of the Agreement.

The Company files this application to obtain Commission approval of the Agreement.

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

The Agreement is a five year Water Shares Lease for the use of 2,121.20 shares of the Price River Water Users Association shares in Scofield Reservoir located in Carbon County, Utah. PacifiCorp’s Carbon Plant ceased power generation in May 2015. PacifiCorp determined it will not be able to put the associated water amounts to beneficial use during the five years commencing January 6, 2018, and, therefore, PacifiCorp wishes to lease up to 2,121.20 of its Water Shares to PRWUA, in accordance with the terms of the Lease. PRWUA will, in turn, sublease such Water Shares to others for beneficial use through the extended term of the Lease. PacifiCorp maintains ownership of the Water Shares in the event there is a future operational need. PacifiCorp has leased the Water Shares to PRWUA since January 5, 2016 without incident. Continuing to lease the Water Shares to PRWUA under the Agreement will not interfere with PacifiCorp’s ability to provide reliable service to its customers after the effective date of the transaction.

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

The total book value of all water rights for the Carbon Plant is \$179,201.53. This lease represents approximately 50 percent of the total portfolio of water rights.

K. Required filings with other state or federal regulatory bodies

Not applicable. This transaction does not require any other regulatory filings.

L. Facts relied upon by applicant to show transaction is in the public interest

ORS 757.480 requires Commission pre-approval for “sales” of property necessary and useful in the performance of a utility’s duties to the public with a value in excess of \$100,000. OAR 860-027-0025(1)(l) requires PacifiCorp to show that such a proposed sale is “consistent with the public interest.” The Commission has previously held that this standard requires a “no harm” showing.² The water is no longer needed for Carbon Plant operations, but remains a PacifiCorp asset. As of December 2016, the Water Shares have been booked in FERC Account 121—Nonutility Property. Leasing of this water will allow for the continued beneficial use of the water (which assures continued ownership) and will provide revenue for PacifiCorp. Leasing the water rights to PRWUA will not harm customers.

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

Please refer to sections H. and L. above, as well as the Background section.

² See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket No. 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 No. 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 No. 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 Nos. UP 165/UP 170, Order No. 99-730, at 7 (Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

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

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

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

Not applicable. The transaction will not affect PacifiCorp's Oregon service territory in any way.

**III. COMPLIANCE WITH OAR 860-027-0025(2)
FILING REQUIREMENTS**

A. Exhibit A—Articles of Incorporation

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

B. Exhibit B—Bylaws

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

C. Exhibit C—Resolution of directors authorizing transaction

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

D. Exhibit D—Mortgages, trust, deeds or indentures securing obligation of each party

Not applicable.

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

Not applicable. The transaction will not materially affect the Company's balance sheet.

F. Exhibit F—Known contingent liabilities

There are no known contingent liabilities associated with this transaction.

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

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

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

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

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

A copy of the Agreement is included with this application as Attachment A.

J. Exhibit J—Copy of each proposed journal entry to be used to record the transaction

Lease revenues received from the Price River Water Users Association pertinent to this agreement will be recorded in FERC Account 358900, Sales of Water.

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

This application and attachments contain the necessary information to demonstrate the benefits of this transaction and for the Commission to base its decision. However, the

Company is prepared to provide additional information as requested by the Commission.

IV. PRAYER FOR RELIEF

PacifiCorp respectfully requests a Commission order (1) finding that the Agreement, as described herein, will not harm the Company's customers and is consistent with the public interest; and (2) granting other such relief as the Commission deems necessary and proper.

Respectfully submitted this 18th day of October, 2017,

By:



Jeffery B. Erb
Chief Corporate Counsel and Corporate Secretary
PacifiCorp

ATTACHMENT A
Water Share Lease

WATER SHARES LEASE

This Water Shares Lease (“Lease”) entered into by and between **PacifiCorp**, an Oregon Corporation, with an office at 1407 W. North Temple, Salt Lake City, UT 84116 (“Lessor”), and the **Price River Water Users Association**, a Utah non-profit corporation with an address of 375 South Carbon Ave, Suite A-10, Price, Utah 84501 (“Lessee”).

RECITALS

A. Lessee owns certain water rights under which Lessee distributes water to its shareholders in proportion to the shares of stock in Lessee held by each shareholder.

B. Lessor owns 2,121.20 shares of stock in Lessee (“Water Shares”) and is thereby entitled to receive the associated water amounts (“Water”). Lessor has maintained the Water Shares in good standing by paying assessments, putting the Water to beneficial use, and by satisfying all other requirements and obligations imposed by Lessee and any other applicable regulatory authority.

C. In accordance with the terms and conditions of this Lease, Lessor is willing to lease up to 2,121.20 of the Water Shares to Lessee for the purpose of Lessee re-leasing, allocating and distributing (“Subleasing”) such shares to Lessee’s remaining shareholders and others for approved uses within the geographic boundaries served by Lessee.

TERMS AND CONDITIONS OF THE LEASE

NOW, THEREFORE, in consideration of the mutual promises and covenants and other consideration, the receipt and sufficiency of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. Effective Date. This Lease shall become effective on the date the Lease is signed by the Lessor (“Effective Date”).

2. Term. The term of this Lease shall begin on the Effective Date and end five (5) years from the Effective Date (“Term”), except as terminated sooner pursuant to the provisions of this Lease. The Term may be extended by mutual written agreement of Lessor and Lessee.

3. Water Shares. In accordance with Section 3.1, Lessor hereby leases to Lessee up to 2,121.20 of the Water Shares for the purpose of Lessee, in turn, Subleasing such Water Shares to others for use during the Term.

3.1 The actual number of Water Shares leased by Lessor to Lessee will be determined using the following process:

A. By March 1 of each year, Lessor shall notify Lessee in writing of the number of Water Shares (up to 2,121.20) that Lessor desires to lease to Lessee, reserving the right not to lease any shares in any given year.

B. By May 1 of each year, Lessee shall notify Lessor in writing of the number of Water Shares (up to the maximum amount being offered for lease by Lessor in 3.1.A. that Lessee desires to lease from Lessor (“Leased Shares”). At the same

time, Lessee shall inform Lessor of the total price Lessee is willing to pay for the Leased Shares during the Term (“Leased Price”).

- C. In order to determine the Leased Shares and the Leased Price, Lessee shall conduct the following solicitation process each year during the Term:
- i. Lessee will advertise the availability of the Water Shares through association membership mailings, local newspaper ads, annual meeting announcements and other means intended to solicit general, public interest in Subleasing the Water Shares.
 - ii. Lessee will accept bids from interested parties, specifying the number of Water Shares each bidder proposes to Sublease, and the price each bidder is willing to pay for such shares.
 - iii. Lessee may at its option have the right to reject any bid that violates the restrictions set forth in Price River Water Users Association bylaws, is from a bidder not current on assessments, or would violate requirements of the State Engineer. Lessee will also restrict shares leased to no more than five shares per irrigated acre owned or leased by any bidding party.
 - iv. If all of the bidders combined propose to Sublease Water Shares equal to or greater than the number of Water Shares offered to Lessee hereunder, then Lessee shall accept, in order, the bid(s) with the highest proposed price until the accepted bids total the number of Water Shares offered to Lessee.
 - v. If all of the bidders combined propose to Sublease Water Shares totaling less than the number of Water Shares offered to Lessee hereunder, then Lessee shall accept all of the bids received. Lessee shall notify Lessor in writing of any Water Shares that were not accepted for Subleasing under the foregoing process. In that case, Water Shares not accepted for Subleasing will remain with Lessor under Lessor’s control and will not be considered as leased to Lessee for the applicable calendar year.
 - vi. The Leased Price shall equal the total price Lessee will receive in exchange for Subleasing the Leased Shares in the Term, minus an administrative fee equal to either 5% of the gross collected, or \$3000, whichever is greater.
- D. Lessee shall keep records of all the solicitation process under Section 3.1.C and shall make such records available for inspection and copying by Lessor upon request.
- E. Within sixty (60) days of Lessee notifying Lessor of the Leased Shares and the Leased Price, Lessee shall pay Lessor the Leased Price.

- 3.2 Lessee agrees to beneficially use the Water, or cause it to be beneficially used, and to document the dates, location, and amount of use of the Water throughout the Term. Lessee shall make such documentation available to Lessor for inspection and copying within thirty (30) days after the end of the Term, or upon request by Lessor.

4. Water Share Assessments. Lessor shall pay any and all costs, fees and assessments associated with the Water Shares, including assessments or any other costs properly levied by Lessee or any other regulatory authority throughout the Term.

5. No Assignment or Lien. Lessee shall not assign this Lease without Lessor's prior written consent. Lessee shall not permit any lien to be filed against the Water Shares or the Water.

6. No Warranty. Lessor makes no guarantee of the quantity or quality of Water.

7. Release. Lessee shall use the Water Shares and the Water 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 the Water Shares and the Water. In addition, Lessee shall cause each Sublease it enters for the Water Shares to include the foregoing release (or a substantive equivalent) in favor of Lessor.

8. Termination. Notwithstanding the Term, this Lease may be terminated by the non-breaching party upon 30-days' notice in the event of a breach of the Lease by the other party. Under no circumstance shall the Lessor require Lessee to return shares to Lessor after Lessee has Subleased shares.

9. Miscellaneous.

9.1 Notice. Notice shall be given hereunder either: (i) when delivered in person to the address below, (ii) upon receipt after (a) deposit in the United States mail, either registered or certified mail, return receipt requested, postage prepaid, to the address and party below, or (b) deposit with a reputable overnight delivery service addressed to the intended recipient. Upon written notification, either party may designate a different individual or address for notices. All notices shall be given to the following:

Lessor: PacifiCorp – Huntington Plant
Attn: Cody Allred
P.O. Box 680
Huntington, Utah 84528

Lessee: Price River Water Users Association
375 South Carbon Ave, Suite A-10
Price, Utah 84501

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

9.3 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.

9.4 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 AGREEMENT. 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.

- 9.5 Severability. If any provision herein is held to be invalid 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 any other provision herein.
- 9.6 Authorization. Each individual executing this Lease represents and warrants that he or she has been duly authorized by appropriate action of the governing body of the party for which the individual signs.

LESSOR
PacifiCorp, an Oregon Corporation

By: _____

Title: _____

Date: _____

LESSEE
Price River Water Users Association

By: _____

Title: _____

Date: _____