



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

April 6, 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 a Lease Agreement

PacifiCorp d/b/a Pacific Power encloses for filing its Application for a 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 Soares at (503) 813-6583.

Sincerely,

A handwritten signature in black ink that reads "R. Bryce Dalley". The signature is written in a cursive style and is positioned above the typed name.

R. Bryce Dalley
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 Lease Agreement with Lake Merwin Campers Hideaway.

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 the Lease (Agreement) between PacifiCorp and Lake Merwin Campers Hideaway, a non-affiliate (LMCH). LMCH is a non-profit membership camping club that provides recreation facilities to its members, including but not limited to boat docks, swimming and picnic areas, bathhouses, and parking areas. The Company owns property along the Lewis River in Clark County, Washington, which is associated with its Merwin Hydroelectric Project. LMCH has leased a portion of the Company's property along the Lewis River (Company Property) in the past under a previous lease agreement, which will expire on its own terms on May 31, 2017. The purpose of the Agreement is to allow LMCH to continue to use the Company Property for recreational use, in accordance with the new Agreement.

I. BACKGROUND

PacifiCorp owns property along the Lewis River in Clark County, Washington, which is associated with its Merwin Hydroelectric Project. LMCH operates a membership camping club that provides recreation facilities to its members, including but not limited to boat docks,

swimming and picnic areas, bathhouses, and parking areas. LMCH has leased the Company Property since March 2006 without incident.

The Agreement contains standard provisions related to LMCH's use and maintenance of the property. LMCH will be able to maintain its existing structures on the Company Property, but is required to obtain prior written approval from the Company for any improvements to Company Property and any new structures to be placed thereon. The Agreement also contains specific provisions related to the Company's compliance requirements related to its Lewis River Shoreline Management Plan with the Federal Energy Regulatory Commission and provisions related to the Company's ongoing operation of its Merwin Hydroelectric Project and Lake Merwin (which is an operating reservoir associated with the Merwin Hydroelectric Project). The term of the Agreement is ten years. In accordance with the terms of the Agreement, LMCH will make annual rent payments to the Company, starting at \$9,785 the first year, with a three percent (3%) increase each year, for a total of \$112,173.99 over the ten-year term. 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

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 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 and Corporate Secretary
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Telephone: 503.813.5029
Email: jeff.erb@pacificorp.com

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

Additionally, PacificCorp 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
PacificCorp
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.

Under the Agreement, LMCH wishes to continue its operation of providing recreational facilities in Clark County, Washington, while providing additional revenue to PacifiCorp for property that would otherwise sit vacant. The terms of the Agreement protect PacifiCorp's right to access and use the Company Property in its provision of reliable electric service to its customers. The Company determined the value of the Agreement by reviewing comparable lease rates for other existing waterfront recreational facilities in the area and comparing those rates with the rates in its previous lease with LMCH. PacifiCorp will collect \$112,173.99 over the life of the ten-year 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 Company Property is situated along the Lewis River in Clark County, Washington, and is associated with PacifiCorp’s Merwin Hydroelectric Project. PacifiCorp has leased the Company Property to LMCH since March 2006 without incident. Continuing to lease the Company Property to LMCH 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 applicable book value of the Company Property is \$161.20.

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.¹ Under the Agreement, LMCH can continue its operation of providing recreational facilities to its members in Clark County, Washington, while

¹ 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).

providing additional revenue to PacifiCorp for property that would otherwise sit vacant. The terms of the Agreement protect PacifiCorp's right to access and use the Company Property in its provision of reliable electric service to its customers. Leasing the Company Property to LMCH 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.

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

At the time of invoicing for the rent due, the Company will debit the Lessee's Accounts Receivable account (FERC Account 1720000 Rents Receivable Current Asset) for the appropriate rental amount and credit to Rent Revenue Hydro Lands (FERC Account 4541000 Rents-Common Other Revenue) the same amount. After the Company receives payment from the Lessee, Lessee's Accounts Receivable account will be credited the payment amount and a debit will be made to Main Depository-Deposit Clearing Account (FERC Account 1310000 Cash Current Asset) in the same amount.

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 6th day of April 2017,



By:

Jeffery B. Erb
Chief Corporate Counsel and Corporate Secretary
PacifiCorp

ATTACHMENT A
Lease

LEASE

This lease (“Lease”), including all attached Exhibits, is entered into by and between PACIFICORP, an Oregon corporation (“PacifiCorp”), and LAKE MERWIN CAMPERS HIDEAWAY, a Washington nonprofit corporation (“Lessee”), each a “Party” and together the “Parties”.

RECITALS

A. PacifiCorp owns those certain parcels of real property known as Tax Lot 269749-000, Tax Lot 269748-000, Tax Lot 271641-000 and Tax Lot 271642-000, all located in Clark County, Washington, Township 6 North, Range 3 East, Sections 26 and 35, W.M., and at least partially pictured or delineated in **Exhibit A**, (collectively, the “PacifiCorp Property”).

B. Lessee is a non-profit membership camping club that provides recreation facilities to its members, including but not limited to boat docks, swimming and picnic areas, bathhouses and parking areas.

C. PacifiCorp and Lessee entered into that certain Property Lease dated March 29, 2006, as extended pursuant to Lessee’s letter dated June 5, 2011, as further extended pursuant to that First Amendment to Property Lease dated XXX, which allowed Lessee to keep and maintain Lessee’s Structure (as defined below) on a portion of the PacifiCorp Property until its expiration on May 31, 2017.

D. PacifiCorp and Lessee desire to enter into a new agreement for Lessee’s continued use of the PacifiCorp Property.

E. Lessee acknowledges and agrees that PacifiCorp will also issue to Lessee a permit under the Shoreline Management Plan (as further described herein) that will govern improvements and uses on a certain portion of the Premises subject to this Lease.

TERMS AND CONDITIONS

NOW THEREFORE, PacifiCorp and Lessee agree as follows:

1. Premises. The portion of the PacifiCorp Property pictured in **Exhibit A** that is delineated in yellow is the “Premises.”

2. Term. This Lease shall be in effect for a term of ten (10) years commencing June 1, 2017, and ending May 31, 2027, unless earlier terminated pursuant to Section 26 below.

3. Rent.

3.1 Annual Rent Payments. For each year of the term, Lessee agrees to make annual rent payments in advance for the following Lease year, payable no later than each June 1, as follows:

<u>PERIOD</u>	<u>ANNUAL RENT</u>
6/1/2017 thru 5/31/2018	\$9,785.00
6/1/2018 thru 5/31/2019	\$10,078.55

6/1/2019 thru 5/31/2020	\$10,380.91
6/1/2020 thru 5/31/2021	\$10,692.33
6/1/2021 thru 5/31/2022	\$11,013.10
6/1/2022 thru 5/31/2023	\$11,343.49
6/1/2023 thru 5/31/2024	\$11,683.79
6/1/2024 thru 5/31/2025	\$12,034.30
6/1/2025 thru 5/31/2026	\$12,395.33
6/1/2026 thru 5/31/2027	\$12,767.19

3.2 Payment Address. All payments should indicate the customer number assigned to this Lease (**10001672**) and must be sent to:

*PacifiCorp
Attn: Central Cashier's Office
P.O. Box 5504
Portland, OR 97228*

3.3 Late Payments. Any installment of Rent or any other charges that are not paid when due will incur a late charge equal to ten percent (10%) of the delinquent payment. In addition, any Rent payment which is not made within fifteen (15) days after the same is due will bear interest at the maximum rate an individual is permitted by law to charge

3.4 Holdover. If Lessee retains possession of the Premises or any part thereof after the termination of this Lease, Lessee will be deemed to have a month-to-month tenancy and Lessee agrees to pay PacifiCorp a monthly installment of rent at one hundred twenty-five percent (125%) 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 is obligated to pay to PacifiCorp all direct and consequential damages sustained by Lessee's retention of possession of the Premises. The provisions of this section will not be deemed to limit or exclude any of PacifiCorp's rights of reentry or any other right granted to PacifiCorp under this Lease or at law. This provision shall survive termination of this Lease.

4. Hydro Project. The subject Premises are part of PacifiCorp's Merwin Hydroelectric Project lands, Federal Energy Regulatory Commission ("FERC") Project License No. 935 (the "Project"). This Lease and Lessee's Structure installed hereunder are subject to the provisions of said license, and to such orders as may be hereafter issued by FERC and any other regulatory agencies having jurisdiction over the Project, and to such acts of PacifiCorp as may be necessary in compliance with said license and said orders, including the Lewis River Shoreline Management Plan. PacifiCorp shall give Lessee reasonable notice of any proposed action which may affect this Lease or Lessee's use of the Premises and Lessee agrees to promptly undertake any necessary change to Lessee's Structure or its use to comply with any action or order required by FERC or any other regulatory agencies having jurisdiction over the Project. Lessee must not deny access to the Premises by FERC inspectors.

5. Reservoir. Lessee understands and acknowledges that the body of water known as Lake Merwin is an operating reservoir and it is necessary for PacifiCorp to lower and raise the water level of the reservoir for operational and maintenance purposes. The water level fluctuations may be substantial and may occur at irregular intervals, and PacifiCorp is under no obligation to

provide notice of such fluctuation. Lessee further understands and acknowledges that such fluctuations may from time to time lower the surface of the reservoir to a level that impedes Lessee's use of Lessee Structure and to a level at or near that of rocks and other obstructions on the bed of the reservoir, therefore hazardous conditions may exist.

6. Lessee's Structure. PacifiCorp hereby authorizes Lessee to continue to keep and maintain the following structures (collectively "Lessee's Structure"):

- 6.1 Three (3) picnic areas, all containing benches, picnic tables and steel charcoal grills.
- 6.2 Four (4) canoe racks, the first with a twelve (12) canoe capacity, the second and third with a three (3) canoe capacity each and the fourth with a six (6) canoe capacity.
- 6.3 Three (3) portable restroom facilities: two (2) of which have a plumbing system connecting to the bath house.
- 6.4 Security shack measuring approximately ten feet (10') long by eight feet (8') wide.
- 6.5 Bath house measuring approximately twenty eight feet (28') long by nineteen feet (19') wide.
- 6.6 Three (3) parking areas, the first measuring approximately one hundred sixty feet (160') wide by three hundred seventy feet (370') long, the second measuring approximately one hundred thirty feet (130') wide by one hundred sixty-five feet (165') long, and the third measuring approximately seventy-five feet (75') wide by one hundred feet (100') long.
- 6.7 Four (4) retaining walls, the first measuring approximately one hundred forty feet (140') long, the second measuring approximately eight feet (80') long and the third and fourth each measuring approximately twenty-five feet (25') long.
- 6.8 Two (2) multi-boat slip dock systems, the first containing seventy-two (72) slips and the second containing fifty-four (54) slips and a fishing deck measuring approximately twenty feet (20') long by ten feet (10') wide.
- 6.9 Boat ramp measuring approximately ninety-five feet (95') long by thirty-two feet (32') wide.
- 6.10 Two (2) dock/gangway combinations: the first contains a fixed wood dock measuring approximately sixty feet (60') long by four feet (4') wide, with a gangway measuring approximately twenty-five feet (25') long by three feet (3') wide, leading to a floating dock measuring fifty feet (50') long by six feet six inches (6' 6") wide, the second contains a fixed wood dock measuring approximately eighty feet (80') long by four feet (4') wide, with a gangway measuring approximately thirty feet (30') long by three feet (3') wide, leading to a floating dock measuring sixty feet (60') long by six feet six inches (6' 6") wide.
- 6.11 Log boom system consisting of approximately one thousand one hundred fifty-five feet (1,155') of logs and foam-core plastic floats.
- 6.12 Swim area consisting of approximately three hundred sixty-five feet (365') of rope around the perimeter and a floating deck measuring approximately ten feet (10') long by ten feet (10') wide.

7. Permitted Location of Lessee's Structure. This Lease authorizes Lessee to continue to maintain Lessee's Structure in its existing form and location as shown in **Exhibit B**, for private non-commercial recreational purposes, subject to the terms and conditions herein.

8. Restrictions. Lessee must not erect or place any building or structure upon the Premises not specifically provided for hereunder and shall not place, use or permit to be placed or used thereon any equipment or materials of any nature whatsoever any part or portion of which exceeds fifteen (15) feet in height.

9. Hazardous and Toxic Materials Prohibited. Lessee may bring onto the Premises in UL approved self-contained tanks only, fuel for watercraft and cooking purposes; however, Lessee must not store gasoline, fuel, oil, or hazardous or toxic materials on the Premises. Lessee must comply in all material respects with all existing federal, state and local environmental laws, regulations, and ordinances ("Environmental Laws") and must not use, store or release any hazardous or toxic materials in violation of any Environmental Laws. Overwater fueling of watercraft within the Project is not allowed. All such fueling must be on land and greater than fifty feet (50') from any water body. In the event of any spill or release of any hazardous or toxic materials, Lessee must immediately report, remedy and correct any such spill, release or violation in compliance with all applicable Environmental Laws and immediately notify PacifiCorp thereof. LESSEE COVENANTS AND AGREES TO PROTECT AND INDEMNIFY PACIFICORP FROM ANY AND ALL LIABILITY, LOSS, COST, DAMAGE, OR EXPENSE, INCLUDING ATTORNEY'S FEES, RESULTING FROM LESSEE'S FAILURE TO COMPLY WITH ANY PROVISION(S) IN THIS SECTION. The covenants contained within this section will survive the expiration or termination of this Lease.

10. Reserved Rights. PacifiCorp, its successors and assigns, reserves the right at all times to enter upon and occupy the Premises or any part thereof for any purpose. Lessee shall at all times use the Premises so as not to interfere with such use by PacifiCorp. PacifiCorp shall not be liable for damage to vegetation or Lessee's Structure resulting from the exercise of any of the rights herein reserved to PacifiCorp, its successors and assigns, provided that Lessee shall have a reasonable time in which to remove or relocate its Lessee's Structure, except as may be impracticable in the case of an emergency.

11. Compliance with Laws. In the use of the Premises, Lessee shall at all times during the term of this Lease observe all applicable federal, state and local laws and regulations, including, but not limited to, environmental laws and FERC and Environmental Protection Agency regulations. PacifiCorp will reasonably cooperate with Lessee, at no cost to PacifiCorp, with respect to any authorizations required of Lessee to construct, maintain and use Lessee's Structure on the Premises that are consistent with the permitted purpose and use set forth herein.

12. Rules and Regulations. Lessee must comply with the rules and regulations issued by PacifiCorp from time to time relating to this Lease, as though the same were covenants of this Lease. The Lease hereby incorporates by reference such existing and future rules and regulations as adopted by PacifiCorp from time to time, including without limitation those described in the attached **Appendix I**.

13. Shoreline Management Plan Permit. If and when a Shoreline Management Plan permit is issued to Lessee governing Lessee's use and Lessee's Structure within the boundaries of the Shoreline Management Plan on the Premises, the conditions of both this Lease and the Shoreline Management Plan permit shall apply. If there is a conflict between the Lease conditions and the Shoreline Management Plan permit conditions, the conditions of the Shoreline

Management Plan permit shall prevail as to the conflicted provisions; otherwise, conditions of both permits shall apply.

14. Soil Erosion. Lessee, in exercising the permission hereby granted, shall take all reasonable precautions to prevent soil erosion on PacifiCorp's Property

15. Alternations to Lessee's Structure.

15.1 Routine Repairs and Maintenance. Lessee may conduct Routine Repairs and Maintenance without the prior written approval of PacifiCorp provided the methods and materials used: (a) are substantially the same as those previously used to construct the existing Lessee's Structure; or (b) comply with the design criteria of Appendix B to the Lewis River Hydroelectric Project Shoreline Use Permitting Information and Application Handbook (the "Handbook"). "Routine Repairs and Maintenance" means work involving the repair, replacement or maintenance of Lessee's Structure, the total cost of which does not exceed fifty percent (50%) of the replacement value of Lessee's Structure, or the scope of which does not involve the replacement of fifty percent (50%) or more of the Lessee's Structure. Lessee must still comply with the Section 10 requirement to obtain all necessary governmental permits and authorizations.

15.2 New Structures; Major Repairs and Maintenance. Lessee must obtain PacifiCorp's prior written approval before installing any New Structures or conducting any Major Repairs and Maintenance. The methods and materials used in any New Structures or in any Major Repairs and Maintenance must comply with the design criteria of Appendix B to the Handbook. Lessee must also comply with the Section 10 requirement to obtain all necessary governmental permits and authorizations. "Major Repairs and Maintenance" means any work involving repair, replacement or maintenance of the Lessee's Structure the total cost of which exceeds fifty percent (50%) of the replacement value of the Lessee's Structure or the scope of which involves the replacement of fifty percent (50%) or more of the Lessee's Structure. "New Structures" means the addition of new structures, the relocation of any element of Lessee's Structure, or any other substantial change to Lessee's Structure, or its form or use, which does not qualify as Routine Repairs and Maintenance or Major Repairs and Maintenance.

16. Landscaping Improvements. Before making any improvements upon the Premises or any changes in the general landscaping, including tree removal, Lessee must first secure written consent from PacifiCorp to do so.

17. Noxious Weeds. Lessee shall maintain the Premises in a manner satisfactory to PacifiCorp, including control of the growth of noxious weeds or other growth as may be required by any federal, state or local agency having jurisdiction. Lessee may not use any herbicides to control noxious weeds without permission from PacifiCorp.

18. Assignment of Lease. Lessee shall not assign, sublet or transfer this Lease in whole or in part without the prior written consent of PacifiCorp, and any such attempted assignment or transfer by Lessee shall be null and void.

19. Indemnification. Lessee expressly assumes all risk in connection with its use of the Premises. Lessee shall indemnify, protect, and hold harmless PacifiCorp and its directors, officers, employees and agents (hereinafter collectively "PacifiCorp Indemnified Parties") against and from any and all claims, demands, suits, losses, costs and damages of every kind and description,

including attorneys' fees and/or litigation expenses, brought or made against or incurred by the PacifiCorp Indemnified Parties resulting from, arising out of, or in any way connected with any act, omission, fault or negligence of Lessee, its employees, agents, representatives, members, guests, invitees or contractors, their employees, agents or representatives in the performance or nonperformance of Lessee's obligations under this Lease or in any way related to this Lease except to the extent that such claim, demand, loss, cause of action, or costs arises from PacifiCorp's negligence or willful misconduct.

20. Insurance. Without limiting any liabilities or any other obligations of Lessee, Lessee must procure and continuously carry, prior to commencing work, with insurers having an A.M. Best's rating of A-VII or better, insurance against claims for injury to persons or damage to property which may arise from or in connection with this Lease or Lessee's use or occupancy of the Premises as follows:

20.1 Workers' Compensation. Lessee must comply with all applicable Workers' Compensation laws and furnish proof of compliance satisfactory to PacifiCorp before commencing any work on the Premises. All Workers' Compensation policies must contain provisions that the insurance companies have no right of recovery or subrogation against PacifiCorp, its parent, divisions, affiliates, subsidiary companies, co-lessees, co-venturers, agents, directors, officers, employees, servants, and insurers, it being the intention of the PacifiCorp and Lessee that the insurance as effected protects all Parties.

20.2 Employers' Liability. Insurance with a minimum single limit of \$1,000,000 each accident, \$1,000,000 disease each employee, and \$1,000,000 disease policy limit.

20.3 Commercial General Liability. The most recently approved Insurance Services Office ("ISO") policy, or its equivalent, written on an occurrence basis, with limits not less than \$1,000,000 per occurrence and \$2,000,000 general aggregate (on a per location and/or per job basis) to protect against and from any and all loss by reason of bodily injury or property damage on or about the Premises, including the following coverages:

- a. Premises and operations coverage
- b. Independent contractor's coverage
- c. Contractual liability
- d. Products and completed operations coverage
- e. Coverage for explosion, collapse, and underground property damage
- f. Broad form property damage liability
- g. Personal and advertising injury liability, with the contractual exclusion removed
- i. Watercraft liability, either included or insured under a separate policy.

20.4 Business Automobile Liability. The most recently approved ISO policy, or its equivalent, with a minimum single limit of \$1,000,000 for bodily injury and property damage including sudden and accidental pollution liability, with respect to Lessee's vehicles whether owned, hired or non-owned, assigned to or used in any way on the Premises.

20.5 Pollution Liability. Lessee shall maintain (or cause the applicable contractor to maintain) pollution liability coverage to apply to sudden and non-sudden pollution conditions including the discharge, dispersal, release or escape of smoke, vapors, soot, fumes,

acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollution into or above land, the atmosphere or any watercourse or body of water. Coverage shall be written on an occurrence basis with limits of not less than \$2,000,000 per loss combined single limits for bodily injury and property damage and shall include the following coverages:

- a. coverage for bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death
- b. coverage for property damage including physical injury to or destruction of tangible property including the resulting loss of use thereof, cleanup costs, and the loss of tangible property that has not been physically insured or destroyed
- c. coverage for defense costs including costs, charges and expenses incurred in the investigation adjustment or defense of claims for such compensatory damages

20.6 Umbrella Liability. Umbrella liability insurance with a minimum limit of \$5,000,000 each occurrence/aggregate where applicable to the excess of the coverages and limits required in Employers' Liability, Commercial General Liability, and Business Automobile Liability insurance referenced above. Such insurance policies must be maintained to cover any liability arising from Lessee's use and indemnification as identified in this Lease.

20.7 Certificate of Insurance. Lessee must provide PacifiCorp a certificate of insurance evidencing its insurance coverage prior to using or occupying the property. The required policies, except Workers' Compensation and Employers' Liability, must include provisions or endorsements naming PacifiCorp, its parent, affiliates, subsidiaries, its officers, directors, agents, employees or servants as additional insured. Lessee shall not cancel or reduce limits of liability without (i) ten (10) calendar days prior written notice to PacifiCorp if canceled for nonpayment of premium; or (ii) thirty (30) calendar days prior written notice to PacifiCorp if canceled for any other reason. Lack of notification shall be considered a material breach of this Lease.

Lessee shall require contractors (of any tier) who perform work on the Premises to carry liability insurance (auto, commercial general liability and excess) and workers' compensation/employer's liability insurance commensurate with this Lease. Lessee shall remain responsible for any claims, lawsuits, losses and expenses included defense costs that exceed any of its contractors' insurance limits or for uninsured claims or losses.

20.8 Lessee's Insurance Primary. To the extent of Lessee's negligent acts or omissions, all policies required under this Lease must include provisions that such insurance is primary with respect to the interest of PacifiCorp and that any other insurance or self-insurance maintained by PacifiCorp is excess and not contributory insurance with the insurance required hereunder, and provisions that the policy contain a cross liability or severability of interest clause or endorsement.

20.9 Adequate Coverage. PacifiCorp does not represent that the insurance coverages specified in this Lease (whether in scope of coverage or amounts of coverage) are adequate to protect the obligations of Lessee, and Lessee will be solely responsible for any deficiencies in coverage.

20.10 No Right of Recovery or Subrogation. Unless prohibited by applicable law,

all required insurance policies must contain provisions that the insurer will have no right of recovery or subrogation against PacifiCorp, its parent, divisions, affiliates, subsidiaries companies, co-lessees, or co-venturers, agents, directors, officers, employees, servants, and insurers, it being the intention of PacifiCorp and Lessee that the insurance as effected protects all Parties.

21. Liens. Lessee must keep the Premises free from all liens and encumbrances in connection with Lessee’s use thereof.

22. Attorneys’ Fees. If either Party should bring any suit, action or other legal proceedings against the other to enforce any of the terms or conditions hereof, the prevailing Party shall be entitled to recover, in addition to any judgment or decree for costs, such reasonable attorneys’ fees as it or they may have incurred therein, including attorneys’ fees upon appeal.

23. Title to Structures; Surrender. Notwithstanding anything to the contrary herein contained, and without relieving Lessee of any of its obligations hereunder, title to Lessee’s Structure shall be vested in Lessee as personal property, and such structures or facilities shall not be removed or materially altered by Lessee without PacifiCorp’s written consent, except upon termination of this Lease. Upon termination, Lessee, at its own cost, shall promptly remove Lessee’s Structure and restore the Premises to PacifiCorp’s reasonable satisfaction, unless the Parties agree in writing otherwise.

24. Access to Project Lands and PacifiCorp Facilities. This Lease only grants permission to install and maintain Lessee’s Structure and to use said Premises as described herein, and nothing in this Lease shall be construed as granting Lessee any exclusive right to use the waters of the reservoir, lands owned by PacifiCorp, or PacifiCorp facilities. Lessee shall at no time by advertisements, signs or oral or written representations, or actions, give any indication to the contrary, nor shall Lessee attempt in any way to prohibit or curtail the use of PacifiCorp lands, the reservoir, or facilities on PacifiCorp land. Lessee shall act in accordance with rules and regulations for public behavior now in effect or hereafter established by PacifiCorp, on PacifiCorp lands and facilities and on Project waters.

25. Waiver. The failure of PacifiCorp to enforce any provision of this Lease or the waiver thereof in any instance shall not be construed as a general waiver or relinquishment on the part of any such provision, but the same shall nevertheless be and remain in full force and effect.

26. Termination. This Lease may be terminated by either Party hereto at any time upon giving to the other Party written notice of termination not less than one hundred eighty (180) days prior to the date of termination.

27. Notice. Wherever in this Lease notice is provided or required to be given by one Party to another, such notice shall be in writing and transmitted by United States certified mail, return receipt, or personal delivery to the addresses below; or such other address as either Party hereto may, from time to time, designate in writing for that purpose. Notice will be effective on the date of documented receipt.

If to PacifiCorp:

If to Lessee:

PacifiCorp
Attn: Property Management

Lake Merwin Campers Hideaway
Attn: Camp Manager

825 NE Multnomah Street, Suite 1700
Portland, Oregon 97232

P.O. Box 10
Amboy, Washington 98601

28. Default. If Lessee violates or fails to perform any of the terms, covenants or conditions set forth herein, which violation or failure to perform is not cured within thirty (30) days after written notice, PacifiCorp may re-enter and repossess itself of the Premises and expel Lessee or those claiming thereunder, without waiving any other remedy or remedies which PacifiCorp may have at law or in equity on account of such violation.

29. Applicable Law. This Lease will be construed in accordance with and governed by the laws of the State of Washington.

30. Integration. Except for any Shoreline Management Plan permit issued to Lessee, this Lease and its incorporated exhibits and appendices 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 will affect or be deemed to interpret, change, or restrict the express provisions hereof.

31. Authorization. Each individual executing this Lease represents and warrants (i) that he or she is authorized to do so on behalf of the respective Party hereto, (ii) that he or she has full legal power and authority to bind the respective Party hereto, and if necessary, has obtained all required consents or delegations of such power and authority, and (iii) that the execution, delivery and performance by the respective Party hereto of this document will not constitute a default under any agreement to which it is a party.

32. WAIVER OF TRIAL BY JURY. 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, OR TO REQUEST THE CONSOLIDATION OF, 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. THIS PARAGRAPH WILL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE.

33. Execution in Counterparts; Electronic Transmittal. This Lease may be executed in counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument. Said counterparts may be transmitted by one Party to the other by facsimile or electronic mail.

IN WITNESS WHEREOF, the Parties to this Lease have executed this Lease in duplicate on the last date indicated below.

PACIFICORP,
an Oregon corporation

By: _____
Allen Berreth
Director Real Estate

Date: _____

LESSEE
Lake Merwin Campers Hideaway,
a Washington nonprofit corporation

By: _____
Darren Tveidt
Interim Camp Manager

Date: _____

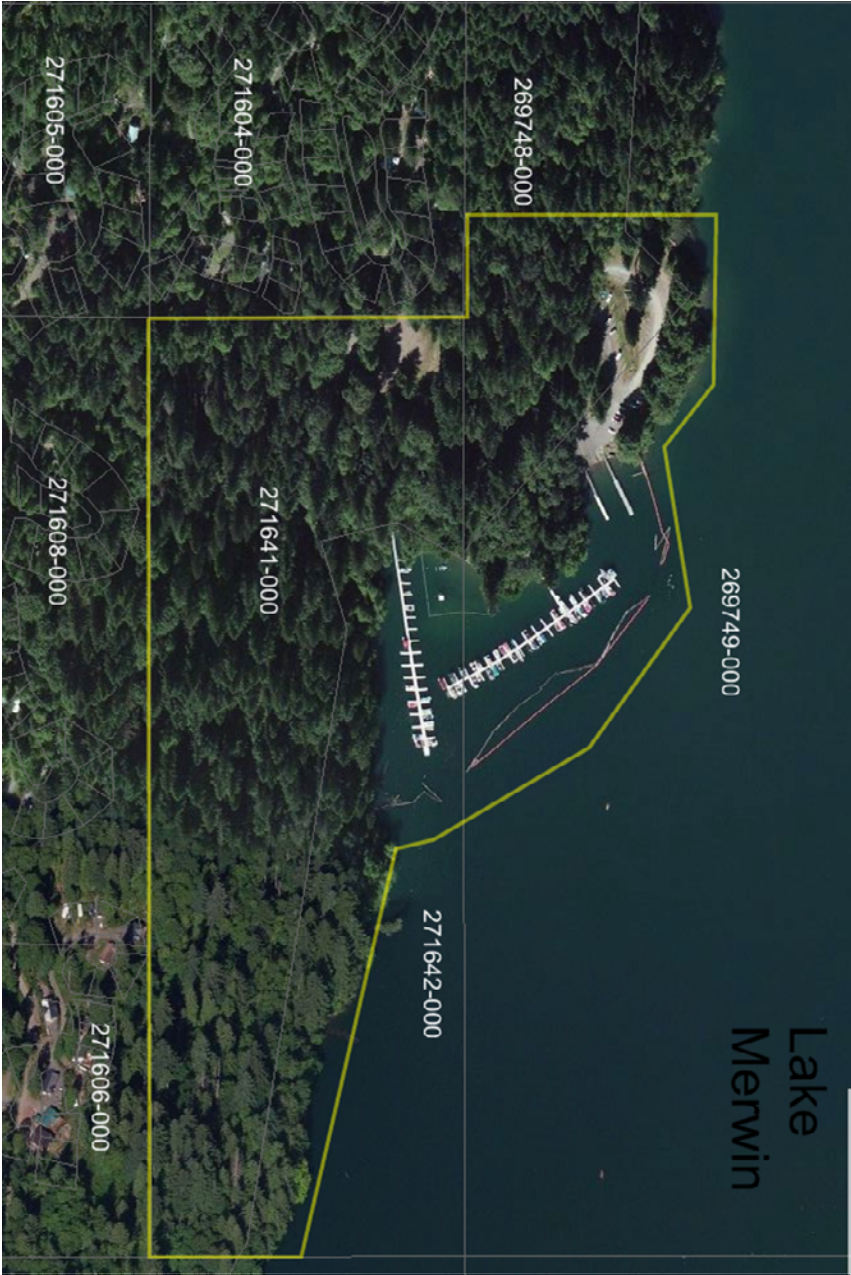
By: _____
Don Gregory
Secretary

Date: _____

By: _____
Steve Owen
President

Date: _____

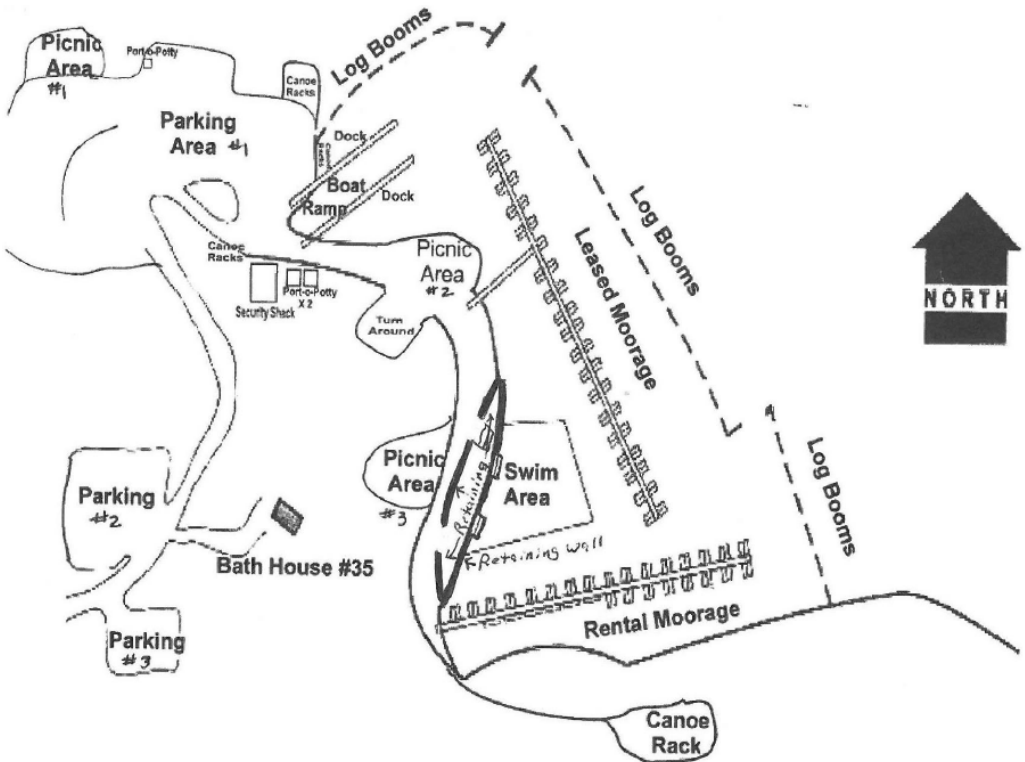
EXHIBIT A
Page 1 of 1
Description of the Premises



The area outlined in yellow shows the approximate location of the Premises.

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
Page 1 of 2
Location of Lessee's Structure



Lake Merwin Campers Hideaway Waterfront Area

The location of Lessee's Structure, above, has not been surveyed and all distances shown are approximate.

APPENDIX I

The following rules and regulations, as amended from time to time, are incorporated by reference to this Lease and are terms of the Lease. PacifiCorp may change, amend, delete or add rules and regulations at any time and such action will be immediately effective.

Environmental, Health and Safety.

1. At any time during the term of the Lease, if PacifiCorp becomes obligated to comply or agrees to comply with additional, or more restrictive, environmental, safety or health ordinances, laws, regulations or plans, PacifiCorp shall promptly notify Lessee, and Lessee shall comply with said ordinances, laws, regulations or plans at Lessee's expense, within a reasonable time period thereafter. Nothing in this article shall excuse Lessee from compliance with ordinances, laws, regulations or plans when Lessee's compliance is required directly by an appropriate authority other than PacifiCorp.

Miscellaneous Provisions.

1. Vehicles. Motorized vehicles shall not be operated carelessly or in excess of 10 miles per hour, nor operated except on designated driveways and roads. No vehicles shall be parked in roadways, nor operated without a muffler in good working order. No ATV's, off-road vehicles, motorbikes or motorcycle riding of any nature shall be allowed except for ingress and egress to the Premises, on any lands owned by PacifiCorp.

2. Commercial Use. No commercial use of the Premises is allowed.

3. Firearms and Fireworks. Lessee shall not discharge firearms, firecrackers, rockets, or any other type of firework anywhere on the land owned by PacifiCorp surrounding Lake Merwin Campers Hideaway.

4. Lessee shall inform all members, guests and invitees of these rules and regulations and shall require compliance therewith.