



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

March 9, 2018

VIA ELECTRONIC FILING

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

Attn: Filing Center

RE: UI ____—PacifiCorp Application Requesting Approval for an Affiliate Interest Transaction with Ferron Canal & Reservoir Company

PacifiCorp d/b/a Pacific Power encloses for filing its Application Requesting Approval of an Affiliate Interest Transaction with Ferron Canal & Reservoir Company.

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, Suite 2000
Portland, OR 97232

Please direct any informal questions concerning this filing to me at (503) 813-6583.

Sincerely,

Natasha Siores
Manager, Regulatory Affairs

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER,

Application for Approval of an Affiliated
Transaction.

APPLICATION OF PACIFICORP

Under ORS 757.495 and in accordance with OAR 860-027-0040, PacifiCorp d/b/a Pacific Power seeks approval from the Public Utility Commission of Oregon (Commission) for an affiliated transaction whereunder PacifiCorp contracts with its affiliate Ferron Canal & Reservoir Company (FCRC) to make available water for use at the Hunter Power Plant in Emery County, Utah. PacifiCorp seeks approval of the contracted services as an affiliated interest transaction.

PacifiCorp provides a copy of the “Third Amendment to the Agreement Dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp” (Third Amendment) as Attachment A. The Third Amendment extends the term of the agreement through November of 2058.

I. BACKGROUND

FCRC is a non-profit mutual irrigation company, which is a privately owned “water stock” company. PacifiCorp holds approximately 37 percent of the outstanding water stock in FCRC. FCRC holds water rights in the Ferron Creek drainage, of which PacifiCorp, by virtue of its water stock share ownership, is entitled to a proportionate amount of FCRC’s water right entitlements. While irrigation companies typically use “ownership by shares” exclusively to allocate and grant water rights (and as such, they are not typical equity interests in the entity), this ownership interest could be deemed to create an affiliate interest.

“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. Therefore, PacifiCorp’s ownership interest in FCRC creates a potential affiliated interest relationship between the company and FCRC. PacifiCorp thereby submits this filing out of an abundance of caution.

With this Application, PacifiCorp requests Commission authorization to continue to engage in business transactions with FCRC as described herein.

II. COMPLIANCE WITH OAR 860-027-0040 FILING REQUIREMENTS

A. Name and Address

PacifiCorp’s exact name and address of its principal business office are:

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

B. Communications and Notices

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

Jeffery B. Erb
Chief Corporate Counsel
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 information 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 inquires may also be directed to Natasha Siores at (503) 813-6583.

C. Relationship between PacifiCorp and Affiliated Interest

FCRC is a non-profit mutual irrigation company, which is a privately owned water stock company. PacifiCorp holds approximately 37 percent of the outstanding water stock in FCRC. Therefore, FCRC could be deemed an “affiliate interest” of PacifiCorp as defined in ORS 757.015(3).

D. Voting Securities

PacifiCorp and FCRC do not own voting securities in each other.

E. Common Officers and Directors

PacifiCorp and FCRC do not share any officers or directors.

F. Pecuniary Interest

No officer or director of PacifiCorp or FCRC is a party to, or has a pecuniary interest in, the contemplated business transaction between PacifiCorp and FCRC.

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

The Third Amendment to the water lease agreement with FCRC was entered into on December 11, 2017, and extends the term of the agreement through November of 2058. The 1974 lease agreement and all other amendments thereto will remain in full force and effect.¹ The Third Amendment contains provisions allowing PacifiCorp to reduce the contract water amount under the lease agreement or terminate the lease agreement under specified

¹ In June 2010, PacifiCorp filed a copy of the November 1, 1974 agreement and the two amendments dated August 11, 1977 and March 31, 1978. See docket UI 301.

conditions. The Third Amendment also establishes a new minimum annual payment amount, and prohibits PacifiCorp from making any water subject to the lease available to third parties.

A copy of the Third Amendment is included as Attachment A.

H. Estimate of Amount PacifiCorp will Pay or Collect Annually

PacifiCorp's share of the cost is currently estimated to be \$14.0 million for the forty-year Agreement through November, 2058.

I. Reasons Relied Upon for Providing the Proposed Services, and Benefits to the Public

PacifiCorp has used the water supply managed by FCRC for the Hunter plant since the plant was commissioned in the early 1970s. Entering into the Third Amendment is in the public interest because water access is very limited in the area and PacifiCorp continues to rely heavily on the water supply from FCRC for effective operation of the Hunter plant, which, in turn, provides safe and reliable electric service.

J. Description of the Procurement Process

See Section II.G above.

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

As described above, FCRC provides services pursuant to the terms and conditions of the Third Amendment.

L. Contract between Affiliated Interest and PacifiCorp

See Attachment A for a copy of the Third Amendment.

M. Copy of Board Resolutions

This transaction did not require approval from PacifiCorp's Board of Directors.

III. PRAYER FOR RELIEF

PacifiCorp respectfully requests a Commission order (1) finding that the Third Amendment to the Agreement dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp is consistent with the public interest; and (2) approving the Third Amendment as an affiliated interest agreement.

Respectfully submitted this 9th day of March, 2018,

By:



Jeffery B. Erb, #95259
Chief Corporate Counsel
PacifiCorp

ATTACHMENT A

Third Amendment to the Agreement dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp

**THIRD AMENDMENT TO
THE AGREEMENT DATED NOVEMBER 1974
BETWEEN FERRON CANAL AND RESERVOIR COMPANY AND PACIFICORP**

This third Amendment (“Amendment”) to the Agreement dated November 1974 between Ferron Canal and Reservoir Company and PacifiCorp (“Agreement”) is entered into as of the date of the last signature below, between Ferron Canal and Reservoir Company and PacifiCorp (successor to Utah Power and Light Co.), each sometimes referred to herein as “Party” or collectively as “Parties.”

RECITALS

PacifiCorp entered into the Agreement for the purpose of securing a water supply to the Hunter Power Plant and pays Ferron Canal and Reservoir Company an agreed upon amount to deliver up to 7,000 acre-feet of water (“Contract Water Amount”) pursuant to Paragraph 5 of the Agreement. The Parties agree that the Agreement has generally worked well for both Parties and that there are benefits to maintaining the existing agreement;

The Agreement’s term is ambiguous, but likely terminates by its own terms on November 1, 2018 under Paragraph 5. By this Amendment, the Parties intend to (1) extend the term of the Agreement and (2) amend it to allow PacifiCorp to terminate the Agreement or modify it to reduce the Contract Water Amount in the event of major operational changes at the Hunter plant.

AMENDMENT

In consideration of the mutual promises and covenants contained herein, together with the benefits to be derived herefrom, the Parties agree as follows:

The fourth sentence of Paragraph 5 of the Agreement which reads: “The annual payment provided for in this paragraph shall be adjusted each year in accord with the wholesale price index for all commodities (1967=100) prepared by the Bureau of Labor Statistics, but in no event shall the payment provided for herein be less than \$105,000 per year[.]” shall be amended to read as follows: “The annual payment provided for in this paragraph shall be adjusted each year in accord with the wholesale price index for all commodities (1967=100) prepared by the Bureau of Labor Statistics, but in no event shall the payment provided for herein be less than \$350,000 per year.”

There shall be added to the Agreement the following Paragraphs:

11. Term. This Agreement and all amendments thereto, shall remain in full force and effect through November 1, 2058 unless PacifiCorp submits a written notice, pursuant to the terms of Paragraph 12, to Ferron Canal and Reservoir Company to either reduce the Contract Water Amount or terminate this Agreement.

12.1 Reductions to Water Supply. Only after the end of the initial ten year extension provided by this Amendment and to accommodate for any major operational changes at the Hunter Power Plant, PacifiCorp, in its sole discretion, may decrease the Contract Water Amount it requires under the Agreement. To make such adjustment, PacifiCorp shall provide Ferron Canal and Reservoir Company with written notice at least two (2) years in advance of any such adjustment becoming effective. The notice will state the amount of water PacifiCorp requests to be reduced from the Contract Water Amount. Payment for the changed Contract Water Amount shall be adjusted to account for the reduced water supply according to the same formula set forth in Paragraph 5 of the Agreement.

12.2 Termination of Agreement due to Operational Changes. Only after the end of the initial ten year extension provided by this Amendment and to accommodate for any major operational changes at the Hunter Power Plant, PacifiCorp, in its sole discretion, may terminate this Agreement in its entirety by providing written notice to Ferron Canal and Reservoir Company within two (2) years from the date of termination.

13. PacifiCorp may only use the water provided pursuant to this agreement for the purposes provided for herein, and in no event is PacifiCorp permitted to sublease, subcontract, otherwise offer for sale or use any water provided to it under this Agreement to a third party.

Each Party hereby represents and warrants to the other Party that it has the right, power and authority to execute, deliver and perform this Agreement.

All other terms and conditions in the Agreement, including any amendments thereto shall remain in full force and effect. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused their properly authorized representatives to execute and seal this Third Amendment on the dates set forth below.

PacifiCorp, an Oregon corporation

By: 

Name: DANA M. RALSTON

Title: SUP THERMAL GEN + MENDING

Date: 12/11/17

PacifiCorp Acknowledgement
STATE OF Utah)

)ss:

COUNTY OF Salt Lake)

On the 11th day of December 2017 before me personally appeared Dana Ralston, and acknowledged under oath that he is the Vice President of Thermal Generation & Mining of Pacificorp, the Pacificorp named in the attached instrument, and as such was authorized to execute this instrument on behalf of the Pacificorp.



Candace Dixon

Notary Public: Candace Dixon

My Commission Expires: December 19, 2020

Ferron Canal and Reservoir Company

By: Tracy F. Behling

Name: Tracy F. Behling

Title: President Ferron Canal & Reservoir

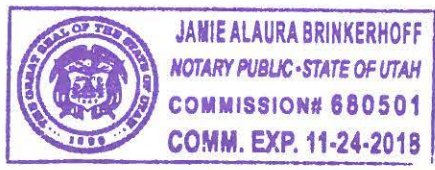
Date: 5 December 2017

STATE OF Utah)

)ss:

COUNTY OF Emery)

On the 5 day of December 2017 before me personally appeared Tracy F. Behling, and acknowledged under oath that he is the President of Ferron Canal and Reservoir of Ferron Canal and Reservoir, the Ferron Canal and Reservoir named in the attached instrument, and as such was authorized to execute this instrument on behalf of the Ferron Canal and Reservoir.



Notary Public: Jamie Brinkerhoff

My Commission Expires: 11-24-18