

June 24, 2016

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

RE: UI ___ —PacifiCorp's Application Requesting Approval of an Affiliate Interest Transaction with Cottonwood Creek Consolidated Irrigation Company

PacifiCorp d/b/a Pacific Power encloses for filing its Application Requesting Approval of an Affiliate Interest Transaction with Cottonwood Creek Consolidated Irrigation 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 Street, Suite 2000
Portland, Oregon, 97232

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

Sincerely,



R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of
PACIFICORP, d/b/a/ Pacific Power,
Requesting Approval of an Affiliate Interest
Transaction with Cottonwood Creek
Consolidated Irrigation Company.

APPLICATION OF PACIFICORP

1 In accordance with ORS 757.495(1) and OAR 860-027-0040, PacifiCorp d/b/a
2 Pacific Power (PacifiCorp or Company) requests approval from the Public Utility
3 Commission of Oregon (Commission) of an affiliated interest transaction with Cottonwood
4 Creek Consolidated Irrigation Company (CCCIC) for a 2016 Water Use Letter Agreement
5 (Agreement) allowing CCCIC to use some or all of PacifiCorp’s CCCIC primary water
6 allotment during the 2016 irrigation season in exchange for CCCIC’s agreement to begin its
7 irrigation season on April 10, 2016. A verified copy of the Agreement is included with this
8 Application as Attachment A. The Company respectfully requests that the Commission
9 approve the Agreement as an affiliated interest agreement with CCCIC.

10 **I. Background**

11 CCCIC is a non-profit mutual irrigation company, located in Castle Dale, Utah,
12 which is a privately owned water stock company. PacifiCorp holds approximately 26 percent
13 of the outstanding water stock in CCCIC. PacifiCorp pays annual assessment fees to CCCIC
14 to help cover its operating and maintenance costs, as well as other costs pertinent to
15 conducting its business, in exchange for receiving access to water used by PacifiCorp’s
16 Hunter generating facility. PacifiCorp previously made capital investments in CCCIC to

1 ensure a long-term, firm water supply for its Hunter generating facility¹. PacifiCorp also
2 appoints one member to CCCIC’s board of directors.

3 While irrigation companies typically use “ownership by shares” exclusively to
4 allocate and grant water rights (and as such, they are not typical equity interests in the entity),
5 this ownership interest and appointment authority could be deemed to create an affiliate
6 interest in some PacifiCorp jurisdictions. Therefore, PacifiCorp’s ownership interest in
7 CCCIC creates a potential affiliated interest relationship between the Company and CCCIC.
8 PacifiCorp thereby submits this filing out of an abundance of caution.

9 PacifiCorp has determined that it does not need its 2016 CCCIC water share
10 allocation. PacifiCorp wishes to lease its water share allocation back to CCCIC for the 2016
11 irrigation season, and CCCIC will, in turn, start its irrigation season on April 10, 2016,
12 approximately two weeks earlier than usual. CCCIC will also pay PacifiCorp \$0.50 per acre-
13 foot of water it receives under the Agreement. The term of the Agreement is from April 10,
14 2016 through October 31, 2016, with no option for renewal.

15 The water received through PacifiCorp’s CCCIC water shares is used at PacifiCorp’s
16 Hunter generation facility. Entering into this Agreement will reduce the risk of PacifiCorp
17 losing approximately 16,000 acre-feet of water that has been carried over in Joes Valley
18 Reservoir. If the reservoir spills, PacifiCorp will lose its carry-over water. CCCIC’s use of
19 the water shares under the Agreement will decrease the risk of the reservoir spilling, thereby
20 increasing the chance of PacifiCorp maintaining its 16,000 acre-feet of carry-over water
21 required for the Hunter generation facility. Additionally, it is estimated that PacifiCorp will
22 receive an aggregate amount of \$4,000 in exchange for the water CCCIC receives under the

¹ The Company previously provided information about the water line project known as the “Cottonwood Project” in Docket No. UI 312.

1 Agreement. Entering into the Agreement is in the public interest because PacifiCorp's
2 effective use of water resources will maximize water availability at its Hunter generating
3 facility, ensuring a long-term firm water supply that is necessary to meet its obligation to
4 provide safe and reliable electric service.

5 With this Application, the Company respectfully seeks Commission approval of the
6 Agreement.

7 **II. Compliance with OAR 860-027-0040 Filing Requirements**

8 **A. Address**

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

10 PacifiCorp
11 825 NE Multnomah Street
12 Portland, OR 97232

13 **B. Communications and Notices**

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

16 PacifiCorp Oregon Dockets
17 825 NE Multnomah Street, Suite 2000
18 Portland, OR 97232
19 OregonDockets@pacificorp.com

Jeffery B. Erb
Assistant General Counsel
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Tel. (503) 813-5029
jeff.erb@pacificorp.com

23 Additionally, PacifiCorp respectfully requests that all data requests regarding this
24 matter be addressed to:

25 By e-mail (**preferred**)

datarequest@pacificorp.com

26 By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

29
30 Informal inquires may be directed to Natasha Siores at (503) 813-6583.

1 **C. Relationship Between PacifiCorp and Affiliated Interest**

2 CCCIC is a non-profit mutual irrigation company, which is a privately owned water
3 stock company. PacifiCorp holds approximately 26 percent of the outstanding water stock in
4 CCCIC. Therefore, CCCIC could be deemed an “affiliated interest” of the Company as set
5 forth in ORS 757.015(3).

6 **D. Voting Securities**

7 The Company and CCCIC do not own “voting” securities in each other.

8 **E. Common Officers and Directors**

9 The Company and CCCIC do not share any common officers or directors.

10 **F. Pecuniary Interest**

11 No officer or director of the Company or CCCIC is a party to or has a pecuniary
12 interest in the business transaction between the Company and CCCIC.

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

15 PacifiCorp pays annual assessment fees to CCCIC to help cover its operating and
16 maintenance costs, as well as other costs pertinent to conducting its business, in exchange for
17 receiving access to water used by PacifiCorp’s Hunter generating facility. PacifiCorp also
18 previously made capital investments in CCCIC to ensure a long-term, firm water supply for
19 its Hunter generating facility. PacifiCorp also appoints one member to CCCIC’s board of
20 directors.

21 PacifiCorp has determined that it does not need its 2016 CCCIC water share
22 allocation. PacifiCorp wishes to lease its water share allocation back to CCCIC for the 2016
23 irrigation season, and CCCIC will, in turn, start its irrigation season on April 10, 2016,
24 approximately two weeks earlier than usual. CCCIC will also pay PacifiCorp \$0.50 per acre-

1 foot of water it receives under the Agreement, as determined by PacifiCorp's primary water
2 allotment, as allocated by CCCIC. The term of the Agreement is from April 10, 2016
3 through October 31, 2016 with no option for renewal.

4 **H. Estimate of Amount PacifiCorp will Pay Annually for Services**

5 PacifiCorp will not be required to pay CCCIC under the Agreement. CCCIC will pay
6 PacifiCorp \$0.50 per acre-foot of water it receives under the Agreement. It is estimated that
7 PacifiCorp will receive an aggregate amount of \$4,000 in exchange for the water CCCIC
8 receives under the Agreement.

9 **I. Reasons Relied Upon for Procuring the Proposed Services, and Benefits**
10 **to the Public**

11 As noted above, entering into the Agreement reduces the risk of PacifiCorp losing
12 approximately 16,000 acre-feet of water that has been carried over in Joes Valley Reservoir.
13 If the reservoir spills, PacifiCorp will lose its carry-over water. CCCIC's use of the water
14 shares under the Agreement will decrease the risk of the reservoir spilling, thereby increasing
15 the chance of PacifiCorp maintaining its 16,000 acre-foot of carry-over water required for the
16 Hunter generation facility. Additionally, it is estimated that PacifiCorp will receive an
17 aggregate amount of \$4,000 in exchange for the water CCCIC receives under the Agreement.
18 Entering into the Agreement is in the public interest because PacifiCorp's effective use of
19 water resources will maximize water availability at its Hunter generating facility, ensuring a
20 long-term firm water supply that is necessary to meet its obligation to provide safe and
21 reliable electric service.

22 **J. Description of the Procurement Process**

23 Not applicable.

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

2 As described above, PacifiCorp will not pay CCCIC under the Agreement.

3 PacifiCorp will maintain its 16,000 acre-foot of carry-over water required for the Hunter
4 generation facility and will receive an aggregate amount of \$4,000 in exchange for the water
5 CCCIC receives under the Agreement. The amount CCCIC will pay PacifiCorp per acre-foot
6 of water it receives under the Agreement is determined by PacifiCorp's primary water
7 allotment, as allocated by CCCIC.

8 **L. Contracts Between Affiliated Interest and PacifiCorp**

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

10 **M. Copy of Board Resolutions**

11 The Agreement did not require a resolution from the Company's board of directors.

12
13 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that
14 the Commission issue an order approving PacifiCorp's execution of the Agreement.

15
DATED: June 24, 2016.

Respectfully submitted,



Jeffery B. Erb, #95259
Assistant General Counsel
Pacific Power

ATTACHMENT A

Letter Agreement



March 28, 2016

Cottonwood Creek Consolidated Irrigation Company
Attn: Clyde Magnuson – President
P.O. Box 678
Orangeville, Utah 84537

Subject: 2016 Water Use Letter Agreement

Dear Mr. Magnuson,

Subject to the terms and conditions specified in this Letter Agreement, PacifiCorp hereby agrees to make available to Cottonwood Creek Consolidated Irrigation Company (CCCIC) up to all of its 2016 CCCIC Primary water allotment in exchange for CCCIC's agreement to begin its irrigation season on April 10, 2016.

Whereas, PacifiCorp owns shares in CCCIC which provides PacifiCorp with a proportionate amount of CCCIC's annual water rights, herein referred to as "Primary Water Allotment";

Whereas, PacifiCorp holds rights to water in Joes Valley Reservoir (JVR) through certain water supply contracts with Emery Water Conservancy District, herein referred to as "Project Water";

Whereas, PacifiCorp's unused Project Water in JVR is allowed to be carried over from one year to the next as long as JVR does not fill and spill (as more fully outlined in the 1982 Cottonwood Creek Operating Criteria). PacifiCorp's unused Project Water that is allowed to be carried over for future use when the reservoir does not spill is herein referred to as "Project Water Carry-Over";

Whereas, PacifiCorp's Project Water Carry-Over account balance in JRV as of March 1, 2016 was approximately 16,600 acre-feet, which does not include PacifiCorp's 2016 Project Water allotment.

Whereas, PacifiCorp desires to manage its water supplies in such a manner to reduce the risk of JVR filling and spilling this run-off season, which would in turn result in PacifiCorp's loss of its current Project Water Carry-Over balance.

Whereas, PacifiCorp can reduce the risk of JVR spilling by allowing CCCIC to use PacifiCorp's Primary Water Allotment and thereby protect and maintain PacifiCorp's Project Water Carry-Over balance.

As such, effective April 10, 2016 through October 31, 2016, the following provisions will be used in the management, delivery, use and recordkeeping of water resources between PacifiCorp and CCCIC.

1. PacifiCorp will allow the use of up to all of its 2016 CCCIC Primary Water Allotment by CCCIC shareholders for irrigation purposes. CCCIC will pay PacifiCorp \$0.50 for each acre-foot of PacifiCorp's Primary Water Allotment it uses under this letter agreement, as determined by PacifiCorp's Primary Water Allotment, as allocated by CCCIC.



2. CCCIC will begin its irrigation season on April 10, 2016 and at such time CCCIC will call for deliveries of its Primary Water, including PacifiCorp's Primary Water Allotment from JVR.
3. CCCIC shall be solely responsible for all Primary Water CCCIC diverts and uses from JVR.
4. Any water PacifiCorp diverts from Adobe Wash Reservoir from April 1 up through the time JVR either spills or reaches maximum pool elevation (in the event it does not spill) will be deducted from PacifiCorp's current Project Water Carry-Over account.
 - a. CCCIC's agrees and understands that its use of PacifiCorp's Primary Water Allotment under this Letter Agreement is subject to the condition that JVR does not fill and spill, and PacifiCorp shall not be liable in any manner to CCCIC in the event JVR does fill and spill
 - b. If JVR spills, then from July 1, 2016 to the end of the 2016 irrigation season, PacifiCorp will resume access to and use of all of its remaining 2016 Primary Water Allotment and CCCIC will no longer have the use of PacifiCorp's Primary Water.
 - c. If JVR does not spill and PacifiCorp maintains access to its block of Project Water Carry-Over, then CCCIC will continue to be allowed to use PacifiCorp's Primary Water Allotment for the remainder of the 2016 irrigation season – and any water PacifiCorp diverts from Adobe Wash Reservoir for the remainder of the 2016 season will be deducted from its Project Water Carry-Over account.
5. Paragraph 7 of the Cottonwood Creek Operating Criteria states [*"...and project power water utilizing space in the irrigation pools will be the first water spilled when spills occur or releases are made in anticipation of spills."*] Nothing in this 2016 Water Use Letter Agreement will be construed as "releasing water in anticipation of a spill" which would otherwise qualify for the zeroing out of PacifiCorp's Project Water Carry-Over account pursuant to the Operating Criteria.
6. The provisions outlined in this Letter Agreement will apply only during the 2016 irrigation season and in no way will establish a precedent for future arrangements/practices between PacifiCorp and CCCIC.

Please indicate your agreement with the above provisions by your signature and date below.

Sincerely,



Laren Huntsman
Managing Director,
Hunter Plant

Agreed:

Cottonwood Creek Consolidated Irrigation Company

By: 

Its: President

Date signed: