



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

March 20, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

Attn: Filing Center

RE: UP ____—Application for an Order Authorizing the Lease of Certain Generation
Property in or near Kemmerer, Wyoming

Enclosed for filing by PacifiCorp d/b/a Pacific Power is an application for an order authorizing
the lease of certain generation property in or near Kemmerer, Wyoming.

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

Please direct informal questions with respect to this filing to Natasha Siores, Director of
Regulatory Affairs and Revenue Requirement, at (503) 813-6583.

Sincerely,

R. Bryce Dalley (AS)
R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP _____

In the Matter of the Application of
PACIFICORP d/b/a PACIFIC POWER
for an Order Authorizing Lease of Certain
Generation Property in or near Kemmerer,
Wyoming

APPLICATION OF PACIFICORP

1 Under ORS 757.480(1)(a) and in accordance with OAR 860-027-0025, PacifiCorp
2 d/b/a Pacific Power (PacifiCorp or Company), seeks approval from the Public Utility
3 Commission of Oregon (Commission) for the proposed lease of certain property located in or
4 near Kemmerer, Wyoming, by Fox Ranches, Inc. (Lessee) for agricultural purposes. Lessee
5 intends to graze livestock and grow meadow hay. In support of this Application, PacifiCorp
6 states the following:

7 **I. Background**

8 PacifiCorp owns property near Kemmerer, Wyoming that supports the Naughton
9 Plant. PacifiCorp proposes leasing a certain portion of the property (Naughton Property) to
10 Lessee for the purpose of grazing livestock and growing meadow hay. Lessee's use of the
11 Naughton Property will not interfere with PacifiCorp's ability to operate the Naughton Plant.
12 No facilities providing electric service are located on the property to be leased. Included
13 with this Application as Attachment A is the Agricultural Lease Agreement by and between
14 PacifiCorp and Fox Ranches, Inc. (Agreement).

15 Lessee intends to use the property for an initial term of five years and will pay
16 \$21,600 rent per year for a total of \$108,000. The property to be used is classified as
17 generation property and is system-allocated. The value of the Agreement to Oregon will be
18 approximately \$28,000 over the five-year term of the Agreement. PacifiCorp files this

1 Application in accordance with Order No. 14-254, following the Commission’s directive to
2 interpret ORS 757.480 as applying to the total value of an asset disposition rather than the
3 system-allocated value. As more fully explained below, this transaction will not affect
4 PacifiCorp’s ability to perform its public duties.

5 **II. Compliance with OAR 860-027-0025(1) Filing Requirements**

6 **A. Address**

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

8 PacifiCorp
9 825 NE Multnomah Street
10 Portland, OR 97232

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

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

17 **C. Communications and notices**

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

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

Michelle Mishoe
Senior Counsel
PacifiCorp
825 NE Multnomah St., Ste 1800
Portland, OR 97232
Telephone: 503.813.5977
Facsimile: 503.813.7252
Email: michelle.mishoe@pacificorp.com

20 In addition, PacifiCorp respectfully requests that all data requests regarding this
21 matter be addressed to:

1 By e-mail (**preferred**) datarequest@pacificorp.com
 2 By regular mail Data Request Response Center
 3 PacifiCorp
 4 825 NE Multnomah, Suite 2000
 5 Portland, OR 97232
 6 Informal inquires may also be directed to Natasha Siores, Director of Regulatory
 7 Affairs and Revenue Requirement at (503) 813-6583.

8 **D. Principal officers**

<u>Name</u>	<u>Title</u>
Gregory E. Abel	Chairman of Board & Chief Executive Officer
Stefan A. Bird	President & Chief Executive Officer, Pacific Power
Cindy A. Crane	President & Chief Executive Officer, Rocky Mountain Power
R. Patrick Reiten	President & Chief Executive Officer, PacifiCorp Transmission
Douglas K. Stuver	Senior Vice President & Chief Financial Officer

9 **E. Description of business; designation of territories served**

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

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

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

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

5 Not applicable. This transaction does not involve the sale of financial instruments.

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

8 Lessee would like to use the Naughton Property to graze livestock and grow meadow
9 hay. The Company occasionally receives indications of interest from multiple parties to
10 lease land suitable for grazing. If leasing such property will not interfere with utility
11 operations, PacifiCorp may grant requests to lease property. Several parties indicated interest
12 in leasing the Naughton Property. The Company determined the value of the lease using a
13 bid process. Lessee submitted the highest bid. PacifiCorp will collect \$21,600 per year for a
14 total of \$108,000 for the initial term. The Company files this Application to obtain
15 Commission approval of the Agreement.

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

19 This transaction involves lease of certain PacifiCorp real property that supports the
20 Naughton Plant in Kemmerer, Wyoming. Lessee will be able to use the Naughton Property
21 for agricultural purposes, namely livestock grazing and growing meadow hay. This use will
22 not interfere with PacifiCorp's operation of the Naughton Plant.

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

25 The book value of the property is \$34,668.07.

26 **K. Required filings with other state or federal regulatory bodies**

1 This transaction does not require approvals from any other state or federal regulatory
2 bodies.

3 **L. Facts relied upon by applicant to show transaction is within the public**
4 **interest**

5 ORS 757.480(1) requires Commission approval for disposition of property necessary
6 and useful in the performance of public service with a value in excess of \$100,000. OAR
7 860-027-0025(1)(l) requires that the utility show that such a proposed sale is “consistent with
8 the public interest.” The Commission has previously held that this standard requires only a
9 “no harm” showing.¹

10 The proposed transaction will not harm customers. No PacifiCorp facilities are
11 located on the property to be leased. Additionally, Lessee’s use will not interfere with
12 PacifiCorp’s ability to operate the Naughton Plant or any other facilities in the area.
13 PacifiCorp will continue to access the Naughton Property as needed.

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

16 Please refer to sections I. and L., and the Background Section, above.

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

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

¹ See, e.g., *In the Matter of a Legal Standard for Approval of Mergers*, Docket 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 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 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 UP 165/UP 170, Order No. 99-730, at 7(Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

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

2 Not applicable. This transaction will not affect PacifiCorp’s service territory.

3 **III. Compliance with OAR 860-027-0025(2) Filing Requirements**

4 **A. Exhibit A. Articles of Incorporation**

5 Not applicable. Review of the Articles of Incorporation would not advance the
6 Commission’s analysis of this Application because the subject transaction involves the
7 leasing of utility property and does not affect the Company’s corporate structure or
8 governance.

9 **B. Exhibit B. Bylaws**

10 Not applicable. Review of PacifiCorp’s bylaws would not advance the Commission’s
11 analysis of this Application because the subject transaction involves the leasing of utility
12 property and does not affect the Company’s corporate structure or governance.

13 **C. Exhibit C. Resolution of directors authorizing transaction**

14 This transaction did not require approval from the Company’s board of directors.

15 **D. Exhibit D. Mortgages, trust, deeds or indentures securing obligation of**
16 **each party**

17 Not applicable.

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

21 This transaction will not materially affect the Company’s balance sheet.

22 **F. Exhibit F. Known contingent liabilities**

23 There are no known contingent liabilities associated with this transaction.

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

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

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

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

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

8 Included with this Application as Attachment A is a copy of the Agricultural Lease
9 Agreement by and between PacifiCorp and Fox Ranches, Inc.

10 **J. Exhibit J. Copy of each proposed journal entry to be used to record the**
11 **transaction**

12 At the time of invoicing for the rent due, the Company will debit the Lessee's
13 Accounts Receivable account (FERC Account 1720000 Rents Receivable Current Asset) for
14 the appropriate rental amount and credit to Rent Revenue Steam Lands (FERC Account
15 4541000 Rents-Common Other Revenue) the same amount. After the Company receives
16 payment from the Lessee, Lessee's Accounts Receivable account will be credited the
17 payment amount and a debit will be made to Main Depository-Deposit Clearing Account (
18 FERC Account 1310000 Cash Current Asset) in the same amount.

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

22 This Application and attachments contain the necessary information to demonstrate
23 the benefits of this transaction and for the Commission to base its decision. However, the
24 Company is prepared to provide additional information as requested by the Commission.

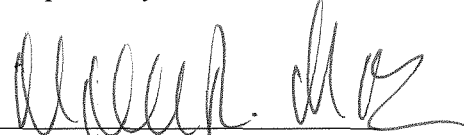
25 **V. Prayer for Relief**

26 PacifiCorp respectfully requests a Commission order:

- 1 (a) finding that the leasing of certain real property in or near Kemmerer,
2 Wyoming, will not harm the Company's customers and is consistent with the public
3 interest;
4 (b) granting other such relief as the Commission deems necessary and proper.

DATED March 20, 2015.

Respectfully submitted,



Michelle R. Mishoe, # 07242

Senior Counsel

Pacific Power

ATTACHMENT A
Agricultural Lease Agreement

AGRICULTURAL LEASE AGREEMENT

This AGRICULTURAL LEASE (the "Lease") is entered by and between **PACIFICORP, an Oregon Corporation** of 1407 West North Temple, Salt Lake City, Utah 84116 ("**Lessor**") and **FOX RANCHES, INC.**, of 10283 State Highway 233, Kemmerer, Wyoming 83101 ("**Lessee**") , to be effective as of January 1, 2015.

RECITALS

A. Lessor owns a certain parcel of real property located in sections 26, 27, 34, and 35 Township 24 North, Range 117 West, 6th PM and sections 2 and 3, Township 23 North, Range 117 West, 6th PM, Lincoln County, State of Wyoming (the "**Property**").

B. Lessee desires to lease a portion of the Property consisting of approximately 1,025 acres for the purpose of livestock grazing and meadow hay production.

C. Lessor has used and will continue to use the Premises for the construction, operation, maintenance, repair, and replacement of transmission and distribution lines and other facilities and equipment normally associated with the generation and distribution of power and/or the use or leased use of the Premises for communication structures, facilities, and equipment. Lessor also uses and will continue to use the Premises to access adjoining properties and facilities, including properties and facilities that may be used in the future.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises and covenants and other consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree to the following terms and conditions:

1. **Leased Premises.** Lessor does hereby lease to Lessee and Lessee hereby leases from Lessor that portion of the Property that is more particularly described in Exhibit "A" attached hereto and incorporated herein (the "**Premises**"), for the limited purposes of livestock grazing and meadow hay production and purposes customarily related thereto and for no other purpose without Lessor's prior written consent.

2. **Term.** The term of this Lease shall be five (5) years, commencing on the 1st day of January, 2015 and ending on the 31st day of December, 2020, unless earlier terminated as provided under this Lease.

2.1 **Option to Renew.** At the end of the Lease Term identified in section 2.1, if Lessee has complied with and is current in the performance of all of the obligations required by this Lease as reasonably determined by Lessor, Lessee may extend the term of this Lease for an additional term of five (5) years by giving Lessor written notice of its intent to do so ("Notice of Intent to Renew") not less than sixty (60) days prior to the termination date of the initial Lease Term.

3. **Rent.**

3.1 **Rent Payments.** Lessee shall pay to Lessor an annual rent payment in the amount of twenty-one thousand six hundred dollars (\$21,600) for this Lease. If Lessee exercises the option to renew this Lease identified in section 2.1, Lessee shall pay to Lessor an increased annual rent payment in the amount of twenty-five thousand three hundred fifty dollars (\$25,350) for the remainder of the option Lease Term. The first rent payment shall be due and payable upon the execution of this Lease.

3.2 **Payment of Rent.** Each annual rent payment shall be due and payable in advance on the 1st day of January for each year of the Lease Term and shall be sent to the following address:

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

3.3 **Late Payments.** In the event Lessee fails to make its rent payment within fifteen (15) days after the due date specified above, Lessee shall pay, in addition to the rent payment owed, a fee equal to fifteen percent (15%) of the annual payment owed. If Lessee fails to make its payment within thirty days (30) days after the same is due shall bear interest at the maximum rate an individual is permitted by law to charge.

4. **Acceptance of Premises.** Lessee has examined the Premises and accepts it in its present condition, AS-IS, WHERE-IS and with all faults. Lessor makes no representation or warranty as to the present or future condition of the Premises and shall not be required to perform, pay for, or be responsible for any work to ready the Premises for Lessee's occupancy or any other work whatsoever throughout the term of this Lease to repair, maintain or improve the Premises.

5. **Water Rights.** Lessee acknowledges that this Lease gives no right to the use of water from any source and that it is Lessee's responsibility to insure that there is adequate irrigation water for Lessee's needs. Lessee agrees to maintain in good working order all ditches used to divert water onto the Premises. Lessee shall not allow irrigation water to run uncontrolled onto the Premises or from the Premises onto land not owned or leased by Lessee. **Lessee shall not allow Bureau of Reclamation water to be used on Lessor's property for any reason.**

6. **Improvements.**

6.1 **Written Consent.** Lessee may not make any improvements or changes to the Premises, including, but not limited to, changing existing ground elevations, excavating, constructing any structure or lighting structure, or landscaping without Lessor's prior written consent. If Lessee desires to make any changes or improvements to the Premises, Lessee shall provide Lessor with detailed plans and specifications for the proposed change or improvement at least thirty (30) days in advance. In the event Lessee deems the making of any improvement or the changing of any improvement necessary to remove a hazardous condition, it shall notify Lessor and request that Lessor approve the improvement or change in improvement within a shorter time. Lessor shall have the right to conditionally approve, modify, or deny the requested change or improvement at its sole discretion.

6.2 **Workmanlike Manner.** All improvements shall be made and maintained in a good and workmanlike manner and shall comply with all building codes, laws, and ordinances. Any improvement that violates building codes, laws, or ordinances of any governing jurisdiction, or that Lessor determines may harm the Premises in any manner, shall be promptly cured by Lessee at Lessee's expense and in a manner satisfactory to Lessor.

6.3 **Maintenance of Improvements.** Lessee shall keep and maintain all fences, water ditches, irrigation systems, and other improvements (except Lessor's facilities, if any) existing upon the Premises at the commencement of this Lease, if any, in good condition and shall perform all routine maintenance and repairs on them at Lessee's expense. Lessee shall not remove or allow any other person to remove from the Premises any improvements existing at the commencement of this Lease without the Lessor's prior written approval.

6.4 **Removal of Improvements.** All fixtures attached to the Premise by Lessee, shall immediately become and shall remain the property of Lessor unless otherwise specified by Lessor in writing. Fixtures for purposes of the Lease, shall be any item, good or chattel that Lessee attaches to, is incorporated into or is otherwise made a part of the Premise or are an item, good or chattel the removal of which could cause harm or require modification of the Premise. Such items shall include, but not be limited to, fences, underground pipes, structures, buildings, wells, roadways and walkways. Lessee shall not allow any fixture to be subject to any lien or other encumbrance and shall promptly take all action necessary to remove any lien of other encumbrance placed on any fixture during the term of this Lease or resulting from Lessee's activities that occurred during the term of this Lease. All personal property used on the Premise shall remain the property of the Lessee. Personal property for purposes of the Lease shall include those items that are not fixtures and which are capable of freely being moved with ordinary effort on and off the Premise without causing harm or modification to the Premise. Lessee shall remove all personal property from the Premise prior to the termination of the Lease. If any personal property from the Lessee remains on the Premise after the termination of the Lease such property may be removed from the Premise by the Lessor. The Lessee shall reimburse the Lessor for any and all costs associated with the removal and disposal of any personal property remaining on the Premise after termination of the Lease. Lessee shall reimburse Lessor for personal property removal and disposal costs within 30 days of receipt of an invoice from Lessor for such costs. The Lessor shall be entitled to retain any salvage or other value received for any personal property Lessor removes from the Premise. Lessee shall not be entitled to any compensation or rent reduction for any fixtures, personal property or other improvements made to the Premises.

7. **Restrictions on the Use of the Premises.**

7.1 **Flammable Materials.** Lessee shall not place or store any flammable material, including but not limited to chemical solvents, fuels, rubbish piles, haystacks, or lumber products, on the Premises, excluding from this prohibition, however, motor vehicles fuels and lubricants properly contained in vehicles coming onto the Premises.

7.2 **Storage.** Lessee shall not cause or permit any structure, building, automobile, or equipment to be placed, erected, or stored on the Premises without Lessor's prior written consent nor shall Lessee, under any circumstances place any object or allow any person to come within twenty (20) feet of any power lines on the Premises. Lessee understands and acknowledges that electricity can arc between lines and persons or objects within twenty (20) feet of the lines.

7.3 **Noxious Weeds.** Lessee shall control the growth of any noxious weeds or other growth on the Premises in accordance with the requirements of any governmental agency having jurisdiction.

7.4 **Notice of Damages or Theft.** Lessee shall notify and give notice to Lessor of any mortality, theft, vandalism, loss, or damage to the Premises, within twenty four (24) hours of the discovery of any such event.

7.5 **Condition and Maintenance of Premises.** Lessee shall keep and maintain the Premises in a clean, prudent, and husband-like manner at all times and in conformity with good conservation and business practices. Lessee shall also be responsible for all maintenance of the Premises, including fences, ditches, gates, cattle guards and structures.

7.6 **Chemicals and Fertilizers.** Lessor and Lessee acknowledge that the use of pesticides, chemicals and fertilizers may be necessary to optimize crop production upon the Premises. It is also understood that the use of pesticides, chemicals and fertilizers could cause damage to persons, property and natural resources if improperly applied or used. Lessee shall not use or apply any insecticide, herbicide, pesticide, chemicals or fertilizers on the Premises without Lessor's prior written consent. Lessee shall comply in all material respects with existing federal, state and local laws, regulations and ordinances and all manufacturer's instructions and guidelines in the use or application of any insecticide, herbicide, pesticide, chemical or fertilizer on the Premises. **Lessee shall NOT apply any registered pesticides without written approval by Lessor prior to application; said written approval may or may not be granted, in Lessor's sole discretion.**

7.6.1 **Annual Accounting of Chemical, Pesticide, Fertilizer application(s).** Lessee shall provide an annual report of any and all chemicals, pesticides or fertilizers applied on the Premises. Report shall include, but not limited to the following: 1) Type of product applied, brand, chemical name, purpose of use, amount, date of application, and location (map). Lessee's first annual report under this provision is due prior to January 1, 2016.

7.7 **Off Road Travel.** Use of trucks, tractors, or other large vehicles off of established roads is prohibited except for customary and routine agricultural usage and maintenance of the Premises.

7.8 **Public Recreation.** Lessee shall allow hunting, fishing and other public recreational uses of the Premises without charge for such use and shall not commit any act or omission which in any manner restricts the liability protection afforded state law pertaining to recreational use of private lands.

7.9 **Hunting.** Lessee shall not sell or lease hunting privileges on the Premises.

7.10 **Animals on the Premises.** In the event Lessor allows Lessee to keep animals or livestock of the Premises, Lessee agrees to use all diligence in maintaining the property so as to prevent the escape of any livestock or animals kept upon the Premises, and hereby releases Lessor from any liability or claims of any kind whatsoever arising in connection with keeping animals or livestock, and conducting Lessee's activities on the Premises. Additionally, Lessee hereby agrees to

indemnify and hold harmless Lessor from any third party claims arising in connection with keeping animals or livestock, and conducting its activities on the Premises. Lessee agrees to maintain all fences on or around the Premises in good condition during the term of this lease.

7.11 **Protection of Wildlife Habitat.** Lessee shall exercise reasonable care to promote and protect wildlife habitat upon the Premises and shall take no actions to deter use of the Premises by wildlife, unless agreed upon by Lessor in writing.

7.12 **Soil Erosion.** Lessee will control soil erosion as completely as practicable by strip-cropping and contouring, and by filling in or otherwise controlling small washes or ditches that may form. Lessee will keep in good repair all terraces, open ditches, and inlets and outlets of tile drains, preserve all established watercourses or ditches including grass waterways and refrain from any operation or practice that will injure them.

7.13 **Subsidies.** Lessee shall not participate in farm subsidy Direct or Counter-Cyclical Payment or similar programs or collect any federal or local government subsidies of any kind associated with Lessee's use of the Premises.

7.14 **Alcohol, Drugs, Firearms and Tobacco Prohibited.** Lessee, its employees, agents, principals, invitees and/or contractors shall not utilize, consume, or bring on to the Premises alcohol, illegal drugs, firearms or tobacco products (for the purposes of this Section, marijuana shall be considered a tobacco product if marijuana is not an illegal drug in the state in which the Premises is located).

8. **Environmental Regulations.** Lessee shall strictly comply in all material respects with all federal, state, and local environmental laws, regulations, and ordinances ("**Environmental Laws**") and shall not use or store on the Premises any hazardous or toxic materials without Lessor's prior written consent. In the event of any spill or release or any hazardous or toxic materials, Lessee shall immediately report, remedy, and shall immediately notify Lessor thereof. Upon termination of this Lease, Lessee shall deliver the Premises to Lessor free of any material contamination by hazardous or toxic materials. Lessee covenants and agrees to protect, indemnify, and hold Lessor harmless from any and all liability, loss, costs, damage, or expense, including attorneys' fees, resulting from Lessee's failure to comply with the provisions of this paragraph. The covenants contained within this paragraph shall survive the expiration termination this Lease.

9. **Lessor's Use of the Premises.** Lessee recognizes and agrees that its use of the Premises shall be non-exclusive and subject to the right of Lessor to engage in, or to grant to others the rights to engage in surface use of the Premises. It is also understood and agreed upon that Lessor reserves the right to access the Premises at any time for all reasonable purposes, including maintaining or repairing its existing electrical generation, transmission, and distribution system, including generating facilities, substations, power lines and associated equipment and facilities and to place generating facilities, substations, and additional poles, lines, and equipment upon the Premises. It is further understood and agreed that Lessor hereby reserves the right to add to, change, or enlarge its generating facilities, substations, power lines and associated facilities and structures on the Premises, including such equipment and facilities of others, including fiber optic and cable lines. If Lessor's changes require Lessee to make changes to any of Lessee's structures or

improvements located upon the Premises, Lessor shall give Lessee at least thirty (30) days advance notice, and Lessee shall make any such within a reasonable period of time as designated by Lessor.

10. **Inspection.** Lessor shall have the right to enter into and upon the Premises at any time for the purpose of inspecting the Premises.

11. **No Sublet or Assignment or Lien.** Lessee may not sublet the Premises or any part thereof or assign any of its rights under this Lease without Lessor's prior written consent, which Lessor may withhold in its sole discretion. Lessee shall not permit any mechanic's or materialman's lien to be filed against the Premises and in the event any such lien or claim is filed against the Premises as a result of any action or inaction by Lessee, Lessee shall immediately remove the lien through satisfaction of the claim, or posting a bond in accordance with state law.

12. **Compliance with Law, Preventing Waste.** Lessee shall, at all times, comply and observe all present and future laws, orders, rules, requirements, ordinances, and regulations of federal, state, county or city governments affecting or pertaining to the use or occupation of the Premises, including environmental laws and regulations. Lessee shall indemnify, defend, and hold harmless Lessor from loss, cost, or damage by reason of any actual or alleged violation by Lessee thereof, and from any liability, including fines, penalties and other costs, arising out of Lessee's failure to so comply. Lessee shall at all times keep the Premises in a safe, neat, and orderly manner satisfactory to Lessor. Lessee shall not commit or suffer to be committed any waste upon the Premises or any nuisance or other act or thing which may disturb adjoining land owners or which may violate the law.

13. **Indemnification.** Lessee expressly assumes all risk in connection with its use of the Premises. Lessee 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 or activities on or around the Property. In addition, Lessee shall protect, indemnify and hold harmless Lessor, its officers, directors, employees, subsidiaries and affiliates (collectively "Indemnitees") from and against any losses, claims, liens, demands and causes of action of every kind, including the amount of any judgment, penalty, interest, court cost or legal fee incurred by the Indemnitees or any of them in the defense of same, arising in favor of any party, including governmental agencies or bodies, on account of taxes, claims, liens, debts, personal injuries, death or damages to property, violations of Environmental Laws and Regulations, and all other claims or demands of every character arising directly or indirectly out of or in any way related to this Lease or Lessee's use of or activities on or around the Property. This Paragraph shall survive any termination of this Agreement. For purposes of this Agreement, "Environmental Laws and Regulations" shall mean all present and future federal, state and local laws and all rules and regulations promulgated thereunder, relating to pollution or protection of the environment.

14. **Insurance.** Without limiting any liabilities or any other obligations of Lessee, Lessee shall procure and continuously maintain for the duration of this Lease, 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:

14.1 **Comprehensive Personal Liability Insurance.** Comprehensive personal liability insuring against acts resulting from occupancy including maintenance and use of the Premises and other insurable acts for which Lessee may be liable, including bodily injury and property damage with a minimum limit of One Million Dollars (\$1,000,000) per occurrence and annual aggregate, if applicable. Requirements may be met with Farm Owner's liability or other appropriate policy form providing required coverages.

14.2 **Automobile Liability.** If at any time motorized vehicles licensed for road use will enter or be operated on the leased Premises, liability insurance will be provided with a combined single limit of not less than One Million Dollars (\$1,000,000) covering bodily injury and property damage.

14.3 **Personal Property Insurance.** Lessor shall provide no insurance on Lessee's personal property. It is Lessee's option to insure any and all damages resulting from fire, wind, vandalism, theft, falling objects and any other perils that may cause loss or damage to improvements and betterments including but not limited to structures, fences, and sidewalks, and to personal belongings located on the Premises.

14.4 **Certificate of Insurance.** Lessee shall annually provide to Lessor a certificate of insurance evidencing its insurance coverage. The policies required herein shall include provisions or endorsements naming Lessor, its parent, affiliates, subsidiaries, its officers, directors, agents, employees or servants as additional insured. All insurance referenced in Sections 14.1 and 14.2 shall include waivers of subrogation in favor of the Lessor.

14.5 **Lessee's Insurance Primary.** To the extent of Lessee's negligent acts or omissions, all policies required under this Lease shall include provisions that such insurance is primary with respect to the interest of Lessor and that any other insurance and self-insurance maintained by Lessor is excess and noncontributory insurance with the insurance required hereunder, and provisions that the policy contain a cross liability or severability of interest clause or endorsement.

14.6 **Adequate Coverage.** Lessor does not represent that the insurance coverage specified herein (whether in scope of coverage or amounts of coverage) are adequate to protect the obligations of the Lessee, and Lessee shall be solely responsible for any deficiencies thereof.

14.7 **Notification of Insurance Cancellation.** Lessee shall notify Lessor as soon as possible in the event that any policies become subject to cancellation and will provide to Lessor proof of replacement coverage prior to the cancellation effective date.

15. **Taxes.** Taxes on the Premises are centrally assessed. Lessee shall pay to Lessor any increase in such taxes attributable to Lessee's use of the Premises or improvements made thereto.

16. **Termination.** This Lease may be terminated upon the happening of any of the following events:

16.1 **Breach.** If Lessee breaches any of its covenants or provisions herein provided, including the failure to pay rent or any other monetary sums required under this Lease, Lessor, at its option, may terminate this Lease and immediately re-enter and repossess the Premises either

with or without legal process and without giving notice to quit to Lessee, which notice is expressly waived by Lessee in case of such breach.

16.2 **Abandonment.** In the event Lessee abandons the Premises, Lessor may, in addition to all other remedies, immediately reenter the Premises and take full possession thereof and exclude Lessee from any attempted renewed use of the Premises.

16.3 **Frustration or Change of Condition.** If the enactment or adoption of any law, ordinance, regulation, order, condition, or other governmental requirement relating to Lessor's operations on the Premises makes further performance impractical or frustrates the purpose of this Lease, Lessor shall have the right to terminate this Lease by giving Lessee no less than ninety (90) days prior written notice.

16.4 **Termination by Notice.** Notwithstanding any other provision in this Lease, Lessor may terminate or cancel this Lease at any time during the term hereof by giving no less than sixty (60) days written notice to Lessee of its intention to do so. If said Lease is terminated or cancelled, Lessor shall refund a proportionate amount of any pre-paid lease payments, but Lessee shall not be entitled to damages of any kind, including lost profits, relocation costs, or expenses.

17. **Events Upon Expiration or Termination.** Upon the expiration of termination of this Lease, Lessee shall promptly remove all personal property and shall surrender the Premises in good condition satisfactory to Lessor, reasonable wear and depreciation due to use excepted. In the event the Premises are not so surrendered, Lessor may dispose of any or all personal property or make any necessary repairs to the Premises and bill Lessee for the same. ABANDONED PROPERTY BECOMES LESSORS TO KEEP OR DISPOSE AT LESSEE'S EXPENSE.

18. **Holdover.** If Lessee retains possession of the Premises or any part thereof after the termination of this Lease, Lessee shall be deemed to have a month-to-month tenancy and Lessee shall pay to Lessor a monthly installment of rent, at double 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 shall pay to Lessor all direct and consequential damages sustained by reason of Lessee's retention of possession of the Premises. The provisions of this Section shall not be deemed to limit or exclude any of Lessor's rights of reentry or any other right granted to Lessor under this Lease or at law.

19. **Miscellaneous.**

19.1 **Notice.** Except when actual receipt is expressly required by the terms hereof, notice is considered given either: (i) when delivered in person to the recipient named below, (ii) upon receipt after (a) deposit in the United States mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage prepaid, addressed by name and address to the party or person intended, or (b) deposit with a reputable overnight delivery service addressed to the intended recipient, or (iii) after being transmitted by facsimile to the person and party intended and to the facsimile number indicated below, with machine confirmation of satisfactory transmittal. All notices shall be given to the following:

Lessor: PacifiCorp
Property Management Department
1407 West North Temple
Salt Lake City, Utah 84116
Fax: (801) 220-4373

Lessee: Mr. Bob Fox
Fox Ranches, Inc.
10283 State Highway 233
Kemmerer, Wyoming 83101
Fax: _____

Upon written notification, either party may designate a different individual or address for notices.

19.2. **Titles and Captions.** Section titles and captions to this Lease are for convenience only and shall not be deemed part of this Lease and in no way define, limit, augment, extend, or describe the scope, content, or intent of any part or subparts of this Lease.

19.3. **Applicable Law.** This Lease shall be construed in accordance with and governed by the laws of the state of Wyoming.

19.4. **Binding Effect Upon Successors.** This Lease shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, legal representatives, and assigns; provided that this provision shall not be construed as permitting assignment, substitution, delegation, or other transfer of rights or obligations except strictly in accordance with the provisions of this Lease.

19.5. **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.

19.6. **Waiver.** No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such right or remedy or of any other covenant, agreement term, or condition. Any party may, by notice delivered in the manner provided in this Lease, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of any other party. No waiver shall affect or alter the remainder of this Lease but each and every other covenant, agreement, term, and condition hereof shall continue in full force and effect with respect to any other breach.

19.7. **Rights and Remedies.** The rights and remedies of any of the parties shall not be mutually exclusive, and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provisions. Each of the parties confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other

equitable remedy, but nothing herein contained is intended to or shall limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other parties for a breach or threatened breach of any provision hereof, it being the intent of this paragraph to make clear the agreement of the parties that the respective rights and obligations of the parties hereunder shall be enforceable in equity as well as at law or otherwise.

19.8. **Severability.** In the event any condition, covenant, or other provision herein contained 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 covenant or condition contained herein. If such condition, covenant, or other provisions shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope or breadth permitted by law.

19.9. **Enforceability and Litigation Expenses.** If any action, suit, or proceeding is brought by a party hereto with respect to a matter or matters covered by this Lease or if a party finds it necessary to retain an attorney to enforce its rights under this Lease, all costs and expenses of the prevailing party incident to such proceeding or retention, including reasonable attorney's fees, shall be paid by the non-prevailing party.

19.10 **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 he signs to execute and deliver this Lease in the capacity and for the entity set forth where he signs and that as a result of his signature, this Lease shall be binding upon the party for which he signs.

19.11 **Recordation.** This Lease may not be recorded on behalf of either party.

19.12 **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.

19.13 **Rights Reserved.** This Lease and all rights hereunder shall be held by the Lessee at all times subject to the rights of the Lessor. Jurisdiction and supervision of the Lessor over concerned lands are not surrendered or subordinated by issuance of this Lease. The Lessor reserves the right to issue to other additional licenses, rights-of-way or permits for compatible uses of the lands involved in this Lease. There is also reserved the right of the Lessor, its officers, agents, employees, licensees and permittees to have ingress to, passage over, and egress from all of said lands for the purpose of exercising, enforcing and protecting the rights reserved herein or for any other legitimate purpose.

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

LESSOR – PACIFICORP

LESSEE – FOX RANCHES, INC.

Signature Title

Signature Title

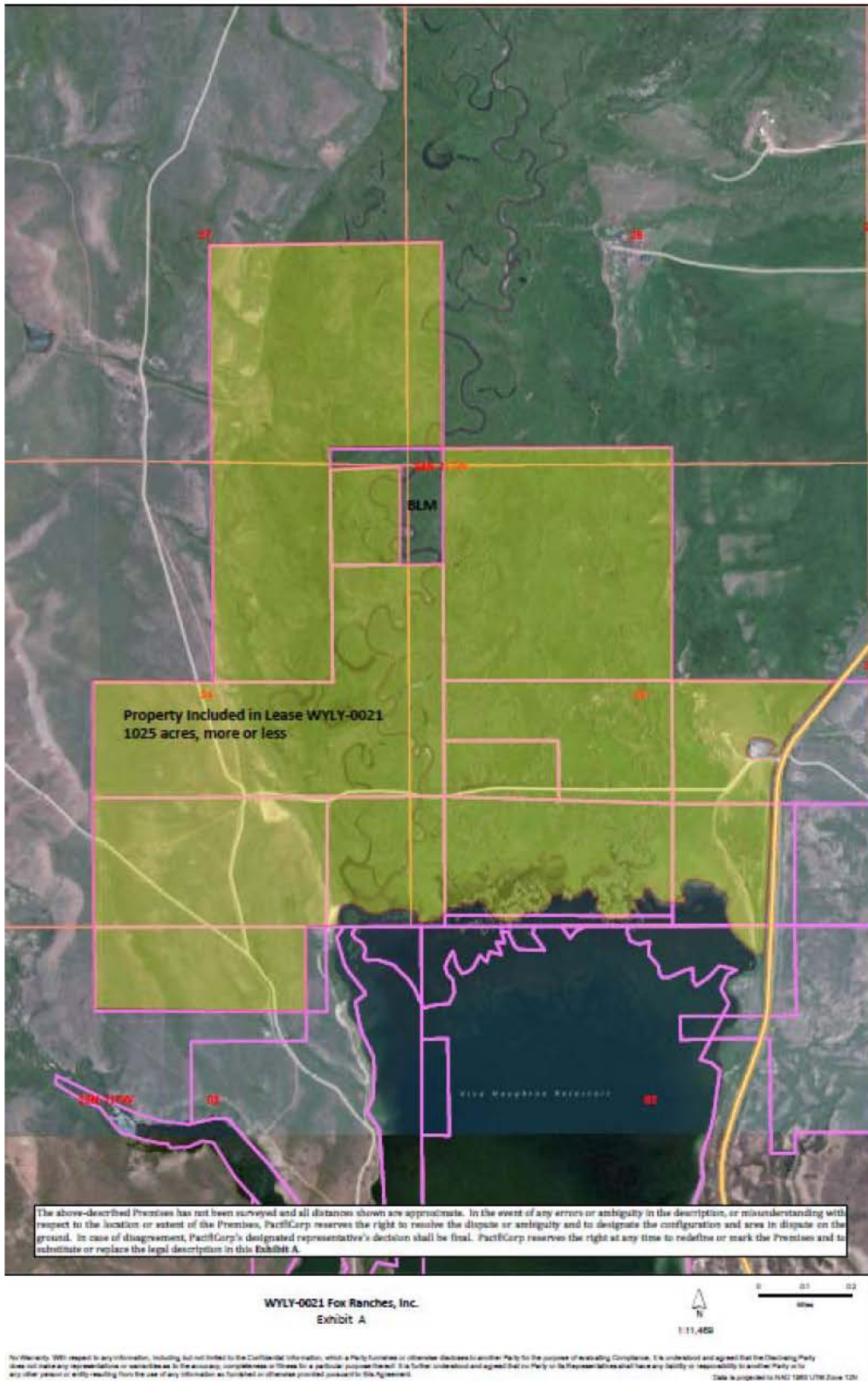
Print Name

Print Name

Date

Date

EXHIBIT A



WYLY-0021 Fox Ranches, Inc. Property Lease
Customer No. _____
(January 2015)