



825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

August 7, 2015

***VIA ELECTRONIC FILING***

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

Attn: Filing Center

**RE: UP \_\_\_ —PacifiCorp's Application for an Order Authorizing the Lease of Certain Generation Property in Glenrock, Wyoming**

PacifiCorp d/b/a Pacific Power encloses for filing its Application for an Order Authorizing the Lease of Certain Generation Property in Glenrock, Wyoming.

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

By E-Mail (preferred): [datarequest@pacificorp.com](mailto: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 Erin Apperson, Manager of Regulatory Affairs, at (503) 813-6642.

Sincerely,

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 the Lease of  
Certain Generation Property in Glenrock,  
Wyoming

APPLICATION OF PACIFICORP

1           Under ORS 757.480(1)(a), and in accordance with OAR 860-027-0025 and Order No.  
2   14-254, PacifiCorp, d/b/a/ Pacific Power (PacifiCorp or Company), seeks approval from the  
3   Public Utility Commission of Oregon (Commission) for the proposed lease of certain  
4   agricultural property located in Converse County, Utah (the Leased Property) to Vollman  
5   Ranches, Inc. (Lessee). In support of this Application, PacifiCorp provides the following:

6   **I.     Background**

7           PacifiCorp owns certain real property located in Converse County, Wyoming  
8   associated with the Dave Johnston Plant. PacifiCorp's property includes lands PacifiCorp  
9   leases from the State of Wyoming under a Grazing and Agricultural Lease (Lease No. 1-  
10  8189). A copy of PacifiCorp's lease with Wyoming, which allows for subleasing, is attached  
11 as Attachment A.

12           Since 1998, Lessee has previously leased portions of PacifiCorp's property in  
13 Converse County, Wyoming for livestock grazing. The most recent lease between PacifiCorp  
14 and Lessee expired in April 2014. Lessee desires to enter into a new lease with PacifiCorp  
15 covering 11,800 acres (the Leased Property) for livestock grazing. The Leased Property  
16 would include PacifiCorp-owned property (11,160 acres) and the property PacifiCorp will  
17 sublet under Grazing and Agricultural Lease No. 1-8189 (640 acres).

1           During the term of the proposed Lease, PacifiCorp will continue to use the Leased  
2 Property for the construction, operation, maintenance, repair, and replacement of  
3 transmission and distribution lines and other facilities and equipment normally associated  
4 with the generation and distribution of power and/or the use or leased use of the Leased  
5 Property for communication structures, facilities, and equipment. Lessor also uses and will  
6 continue to use the Leased Property to access adjoining properties and facilities, including  
7 properties and facilities that may be used in the future. Attachment B to this Application is a  
8 copy of the Property Lease between PacifiCorp and Lessee.

9           During the lease’s five-year term, Lessee will pay PacifiCorp \$28,100 per year  
10 (\$140,500 total). The property to be leased is classified as generation property and is system-  
11 allocated. The value of the Lease to Oregon will be approximately \$36,500 over the five-  
12 year term of the Lease. As more fully explained below, this transaction will not affect  
13 PacifiCorp’s ability to perform its public duties.

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

15 **A. Address**

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

17           PacifiCorp  
18           825 NE Multnomah Street  
19           Portland, OR 97232

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

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



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

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

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

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

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

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

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

22           Lessee approached PacifiCorp with an offer to lease the Leased Lands after  
23 determining it could be suitable for livestock grazing. The Lessee has leased this land from  
24 PacifiCorp since 1998, with each party subsequently renewing the lease as the prior terms  
25 have expired. PacifiCorp Property Management’s current procedure is that if a third party  
26 expresses interest in leasing a particular parcel, staff will open the lease up for competitive  
27 bid, and mail applications to all interested parties. In this case, when the most recent lease

1 term expired in April of 2014, and no other parties had notified PacifiCorp of their interest in  
2 leasing the land, it was determined by the applicable business unit within PacifiCorp to  
3 proceed with renewing the lease with Vollman Ranches for market value.

4 There are multiple ways to determine market rate of non-irrigated grazing land. For  
5 this lease, a rental analysis was performed to determine fair market price of the lease. The  
6 rental analysis factors in levels of vegetation, terrain, lack of useable water rights, location,  
7 etc. of the applicable lands. This lease rental amount is based upon 20 acres per animal unit  
8 (AU) x 8 months = animal unit months (AUM). (20 acres per AU and 8 months of vegetation  
9 is typical for this area). 11,800 acres divided by 20 acres per AU = 589.312 AU x 8 months =  
10 4,714.50 Animal Unit Months (AUMs). Using analysis completed by the ranch manager  
11 responsible for corporate ranch lands<sup>1</sup>, the Company determined \$5.95 per AUM was fair  
12 market for this area; 4,714.50 AUMS x \$5.95 per AUM = \$28,051.28 per year, rounded to  
13 \$28,100. The previous lease between PacifiCorp and Lessee provided for payments of \$4.90  
14 per AUM.

15 In addition to the lease rental amounts due to PacifiCorp, Lessee is obligated to  
16 maintain all fences, gates, canals, and other improvements to the property, adding non-  
17 monetary value to the lease. These costs would otherwise be borne by PacifiCorp.

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

21 The Company will lease 11,800 acres to Lessee. The Leased Property includes  
22 parcels owned by the Company, and other parcels the Company leases from the State of

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<sup>1</sup> The analysis was performed by Scott Williams, who at the time was employed by MidAmerican Energy Holdings Company (now known as Berkshire Hathaway Energy), under the terms of the Intercompany Administrative Services Agreement (IASA). Mr. Williams was employed as a ranch manager in Converse County, Wyoming. As a local employee responsible for managing corporate ranch lands, Mr. Williams was familiar with these and other lands in Converse County.

1 Wyoming. The Company uses the Leased Property for the construction, maintenance, repair,  
2 and replacement of transmission and distribution lines and other facilities and equipment  
3 normally associated with the transmission and distribution of electricity.

4 Lessee intends to use the Leased Property for livestock grazing.

5 PacifiCorp will continue to use the Leased Property for the construction, operation,  
6 maintenance, repair, and replacement of transmission and distribution lines and other  
7 facilities and equipment normally associated with the generation and distribution of power  
8 and/or the use or leased use of the Leased Property for communication structures, facilities,  
9 and equipment. PacifiCorp will continue to use the Leased Property to access adjoining  
10 properties and facilities, including properties and facilities that may be used in the future.

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

13 The book value (cost) included in FERC account 31010 (stream lands) is  
14 \$291,033.12.

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

16 This transaction does not require approvals from any other state or federal regulatory  
17 bodies.

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

20 ORS 757.480 requires Commission approval for sales of property necessary and  
21 useful in the performance of public service with a value in excess of \$100,000. See ORS  
22 757.480(1)(a). OAR 860-027-0025(1)(l) requires that the utility show that such a proposed

1 sale is “consistent with the public interest.” The Commission has previously held that this  
2 standard requires only a “no harm” showing.<sup>2</sup>

3 The proposed transaction will not harm customers. Certain PacifiCorp facilities cross  
4 the Leased Property. However, PacifiCorp will continue to be able to operate and maintain  
5 those facilities for the ongoing provision of safe and reliable electric service to its customers.  
6 Additionally, the Company will continue to use the Leased Property to access properties and  
7 facilities.

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

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

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

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

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

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

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

19 **A. Exhibit A. Articles of Incorporation**

20 Not applicable. Review of the Articles of Incorporation would not advance the

21 Commission’s analysis of this Application because the subject transaction involves the

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<sup>2</sup> 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 conveyance of utility property and does not affect the Company's corporate structure or  
2 governance.

3 **B. Exhibit B. Bylaws**

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

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

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

9 **D. Exhibit D. Mortgages, trust, deeds or indentures securing obligation of**  
10 **each party**

11 The majority of the Company's real property is subject to a lien under the Mortgage  
12 and Deed of Trust, dated as of January 9, 1989, from PacifiCorp to The Bank of New York  
13 Mellon Trust Company, N.A. (as successor to The Bank of New York Mellon) as Trustee, as  
14 amended and supplemented.

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

18 This transaction will not materially affect the Company's balance sheet.

19 **F. Exhibit F. Known contingent liabilities**

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

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

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

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

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

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

4 Included with this Application as Attachment A is a copy of the Property Lease  
5 between PacifiCorp and Lessee.

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

8 At the time of invoicing for the rent due, the Company will debit the Lessee's  
9 Accounts Receivable account (FERC Account 1720000 Rents Receivable Current Asset) for  
10 the appropriate rental amount and credit to Rent Revenue Steam Lands (FERC Account  
11 4541000 Rents-Common Other Revenue) the same amount. After the Company receives  
12 payment from the Lessee, Lessee's Accounts Receivable account will be credited the  
13 payment amount and a debit will be made to Main Depository-Deposit Clearing Account  
14 (FERC Account 1310000 Cash Current Asset) in the same amount.

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

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

21 **V. Prayer for Relief**

22 PacifiCorp respectfully requests a Commission order:

23 (a) finding that the lease of the Leased Property will not harm the Company's  
24 customers and is consistent with the public interest;

25 (b) granting other such relief as the Commission deems necessary and proper.

1 DATED August 7, 2015.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dustin T. Till", written over a horizontal line.

Dustin T. Till, OSB No. 100534  
Senior Counsel  
Pacific Power

**ATTACHMENT A**

**Property Lease Between State of Wyoming and PacifiCorp**



STATE OF WYOMING  
BOARD OF LAND COMMISSIONERS

GRAZING AND AGRICULTURAL LEASE

(1) **PARTIES** - The parties of this lease are:

PACIFIC POWER & LIGHT COMPANY

whose address is Attn: Erik Carlson, 1407 W. North Temple, Suite 110, Salt Lake City, UT 84116, (Lessee), and the Wyoming Board of Land Commissioners, (Lessor), whose address is Office of State Lands and Investments, 122 West 25th Street, 3rd Floor West, Cheyenne, Wyoming 82002-0600.

In the event that the addresses listed above change, the party whose address has changed shall immediately notify the other party to the lease in writing.

(2) **PURPOSE OF LEASE** - Under the authority of W.S. 36-5-101 et seq. Lessor is granting the leasehold right for grazing and agricultural purposes only, provided, that in the event the Lessee changes the use of grazing lands to other agricultural purposes, either by dry land process or irrigation, the Lessee shall notify the Office of State Lands and Investments of the acreage placed under cultivation and the Lessee shall pay an increased annual rental therefore as fixed by the Lessor. The parties desire to enter a lease contract (Lease) defining their rights, duties and liabilities relating to the premises. In consideration of the payment of the first year's rental, receipt of which is hereby acknowledged, and the covenants and agreements herein made, to be kept and performed by the Lessee, the Lessor hereby leases to Lessee, for GRAZING AND AGRICULTURAL purposes only, the following described lands, subject to all terms, conditions and restrictions contained in this lease, the Statutes of the State of Wyoming and the rules and regulations of the Board of Land Commissioners.

**DESCRIPTION:**

<u>Acres</u>	<u>Description</u>	<u>Sec</u>	<u>Twp</u>	<u>Range</u>	<u>Co</u>
640.000 ALL		36	34.0N	74.0W	CO

(3) **TERM OF LEASE** - The term of this lease shall begin at 5:00 P.M. on the First day of January, 2015 and terminate at 5:00 P.M. on the First day of January, 2025.

(4) **RENT PAYMENT** - The Lessee shall pay to the Lessor at the Office of State Lands and Investments, Herschler Building, Cheyenne, Wyoming, a rental for the use of the premises in the initial amount of \$ 836.54 per annum. This amount is subject to change on an annual basis and may be increased or decreased by the Lessor in the event of reclassification of the land, due to a change in its use, a change in the carrying capacity, or a change in the minimum annual rental for grazing and agricultural leases adopted by the Lessor or change in the law. Annual rentals are due and payable on the anniversary date of this lease. If the annual rental is not paid on or before the anniversary date a 10% late fee will be assessed. If the annual rental and late fee are not paid within thirty (30) days following the date of the notice, the lease will be canceled.

(5) **LESSEE'S RESPONSIBILITIES - Lessee Agrees:**

(a) Not to trap any fur bearing animals on the premises except where a permit to do so has been secured from the Wyoming Game and Fish Commission and consent thereto has also been obtained from the Director of the Office of State Lands and Investments.

(b) Not to cut, destroy or remove, or permit to be cut, destroyed or removed, any timber that may be upon the premises. The Lessee shall promptly report to the Lessor the cutting or removal of timber by other persons.

(c) To conduct all grazing and agricultural operations on the premises in a manner which protects soil fertility and forage production, and does not contribute to soil erosion, or overgrazing.

(d) The Lessee further agrees to work in cooperation with the Lessor to make every reasonable effort to control noxious weeds and pests. Lessee may work in conjunction with County Weed and Pest Control Districts to develop projects to be submitted to the Office of State Lands and Investments for reimbursement of certain costs of eradication of weeds and pests on state lands pursuant to Chapter 28 of the Rules and Regulations of the Board of Land Commissioners. Cost estimates must be submitted by County Weed and Pest Districts and approved by the Office to be eligible for reimbursement.

(e) To maintain all buildings, wells, dams, windmills, fences, and other improvements located on the premises in a good state of repair at the lessee's expense. The Board of Land Commissioners will require the removal of any improvements not maintained in a good state of repair at the lessee's expense.

(f) To dispose of all waste in a proper manner and not to allow debris, garbage, contaminants or other refuse to accumulate on the leased premises. Any landfill, open dump, accumulation of debris, garbage, contaminants or refuse of any kind which the Lessee placed, or permitted to be placed, on the leased premises must be removed at the Lessee's expense. Lessee further agrees that the Lessor shall have the right to remove debris, garbage, contaminants, or other refuse which the Lessee placed on the premises and collect the cost of such removal from the Lessee. The Lessee further agrees to document and report, as soon as possible, to the Office any unauthorized dumping of debris, garbage, contaminants, or other refuse on the leased premises, by parties other than the Lessee, so that appropriate investigation and corrective measures can be taken by the Lessor.

(g) **IRRIGATED LAND** - If the premises are subject to irrigation in whole or in part from water available for that purpose under a permanent water right, contract or otherwise temporary water right, as the case may be:

(1) The Lessee agrees to use water so as to protect and maintain all water rights.

(2) Where applicable, the Lessee agrees to pay when due all charges for operation, maintenance, and delivery of water.

(3) The lands shall be operated under a customary and appropriate crop rotation method.

(4) The lands shall be cultivated, irrigated and fertilized in a proper husbandlike manner so as to prevent washing, blowing, seepage, leaching of the soil, waste of water and other damage.

(5) All irrigation ditches and laterals shall be kept in good condition at the Lessee's expense and shall be maintained so as to prevent washing, cutting and damage to the lands. Ditches and laterals shall attach to the lands and become the property of the Lessor.

(6) The Lessee shall file annually, on or before March 31, of each year, with the Office of State Lands and Investments, on the proper forms, a report of the location and yield of all crops grown the preceding year and the location and type of crops to be grown in the ensuing year.

(h) Not to post signs on state lands unless specifically authorized by the Board of Land Commissioners.

(i) Not to lock or remove gates, block or change established roads on the leased premises which provide public access to state land unless specifically authorized by the Board of Land Commissioners.

(j) To conduct any vegetative monitoring activities directly related to the purpose for which the land was leased. If such vegetative monitoring data is used for any other purpose, then the lessee shall apply for a temporary use permit through the Office of State Lands and Investments.

(k) To provide or must exercise his best efforts to obtain reasonable year-round inspection and management access to the Board of Land Commissioners and its agents when reasonable public access is not otherwise available. Such access would either be across the lessee's adjoining deeded land or adjacent lands not owned by the lessee through the use of any access rights held by the lessee, if the other landowner is agreeable.

(6) **SPECIAL PROVISIONS**

(a) **RESERVATIONS - Lessor Reserves:**

(1) The right to order the sale of all or any portion of the premises at any time, subject to this lease.

(2) The right to lease and dispose of all coal, oil, gas and other minerals, and all deposits of clay, stone, gravel and sand valuable for building, mining or commercial purposes, and all timber, together with the right to mine and remove such minerals or other deposits and timber with the right of ingress and egress thereto, and to cancel this lease as to any portion of the premises when required for these purposes.

(3) The right to hold, sell, appropriate or otherwise dispose of any fences or other improvements of any character owned by the Lessee upon the premises, to insure the payment of rentals, damages or other expenses accruing to the Lessor by virtue of this lease.

(4) The right to enter in and upon the premises at any time for purposes of inspection or management.

(5) The right at any time to grant easements across the premises for ditches, overhead wires, pipelines, railroads, reservoirs, public roads and highways, roadways to private land or residences, snow fences, underground cables, open space, or other lawful purposes, with the right of ingress and egress thereto.

(6) The right to use or lease the premises or any part thereof at any time for any purpose other than the rights and privileges granted by this lease.

(7) The privilege of any person to use the premises for casual recreational day uses, fishing and hunting pursuant to Chapter 13 of the Rules and Regulations of the Board of Land Commissioners.

(8) All rights not expressly granted to Lessee by this lease are reserved to the Lessor.

(b) **ASSIGNMENTS** - This lease shall be subject to cancellation by the Lessor if it is assigned without the approval of the Lessor. Any assignment of this lease shall be recorded in the Office of State Lands and Investments.

(c) **SUBLEASES AND OTHER CONTRACTS** - Any grazing and agricultural lease is subject to cancellation if the Lessee subleases the leased premises or enters into any contract or agreement of any kind concerning the leased premises, except "price support and production adjustment" contracts of the Farm Service Agency, without approval. In no event shall the premises be subleased unless one-half of any excess rental is paid to the Lessor.

(d) **IMPROVEMENTS** -

(1) Lessee shall have the right to construct or make improvements upon state lands in the amount of \$2,000.00 per section for each separate improvement, without first obtaining permission.

(2) Lessee shall request prior permission to construct or make improvements in excess of \$2,000.00 per section for each separate improvement by submitting a completed application form furnished by the Office.

(3) Permission may be granted to construct improvements in excess of \$2,000.00 per section for each separate improvement for fencing, water development, or livestock handling facilities and range enhancements only. Any other improvement in excess of \$2,000.00 per section for each separate improvement shall be applied for under a special use lease.

(4) Any improvement on the leased premises regardless of value, which will restrict existing public access or alter existing multiple use of the lands must be approved by the Board of Land Commissioners.

(5) Unless permission has been obtained in the manner provided, the owner of the improvements in excess of the \$2,000.00 per section for each separate improvement shall not be entitled to compensation as provided by W.S. 36-5-111 and 36-9-105, and upon expiration of the lease the improvements shall forfeit to and become the property of the state; except that within 120 days from the date of the expiration of the lease, the owner may remove such improvements in a manner which minimizes injury to the land.

(e) **ENTRY UPON LEASED PREMISES BY THIRD PARTIES** - Third parties desiring to enter upon the leased premises shall contact the lessee prior to entry, unless it is a member of the Board of Land Commissioners or its representatives or a member of the public when entering for purposes of hunting and fishing and casual recreational use pursuant to provisions of Chapter 13 of the Rules and Regulations of the Board of Land Commissioners. For all entries by third parties, the lessee may negotiate a payment for damage to the surface of the leased premises, pursuant to Chapter 4, Section 13. Payments must be consistent with payments for damages to adjacent lands.

(f) **MOTORIZED VEHICLE USE** - Lessee is authorized to use motorized vehicles only as necessary to conduct its grazing or agricultural operation, and in a manner which minimizes damage to the state lands.

(g) **CANCELLATION** - If it be determined by the Lessor that this lease has been procured by fraud, deceit or misrepresentation, or if the premises or any part thereof be used for unlawful, unauthorized, or illegal purposes, or if the Lessee fails to perform or violates any of the terms of this lease, the Lessor shall have power and authority to cancel this lease.

(h) **SURRENDER OF PREMISES UPON TERMINATION OF LEASE** - The Lessee shall, upon termination of this lease, surrender and deliver unto the Lessor the peaceful and uninterrupted possession of the premises.

(i) **TIME AND SPECIFIC PERFORMANCE** are each of the essence of this lease, and all agreements and conditions herein contained shall extend to be binding alike upon the heirs, administrators, successors and assigns of the parties hereto.

(j) **RELIANCE** - The Lessor has expressly relied on the representations made by the Lessee in the written application to lease the premises.

(k) **EXCHANGE** - The lease is granted upon the express condition that should the Lessor hereafter find it to be in the best interest of the Lessor to exchange the lands embraced in this lease for other lands, as provided by law, then this lease may be terminated upon giving the Lessee one (1) year notice, unless by mutual consent of the Lessor and the Lessee, an earlier date of termination may be fixed.

(l) **BUY-OUT BY LESSOR** - The Lessor shall have the right to purchase back from the Lessee all the rights and interests granted to the Lessee by this lease for any portion of the premises at any time by paying to the Lessee the fair market value of those rights and interests for the remaining term of the lease.

(7) **GENERAL PROVISIONS**

(a) **NOTICES** - All notices arising out of, or from, the provisions of this lease shall be in writing and given to the parties at the address provided under this lease, either by regular mail, or delivery in person.

(b) **EFFECT OF CHANGE IN LAW** - The rights and responsibilities of the Lessee under this lease which are granted or imposed by the Statutes of the State of Wyoming or rules and regulations of the Board of Land Commissioners, are subject to change during the term of this lease as a result of the adoption, amendment, or repeal of statutes or rules.

(c) **COMPLIANCE WITH LAWS** - The Lessee shall keep informed of and comply with all applicable federal, state and local laws and regulations in the performance of this lease.

(d) **APPLICABLE LAW/VENUE** - The construction, interpretation and enforcement of this lease shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this lease and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

(e) **ENTIRETY OF LEASE** - This lease contains the entire contract between the parties and supersedes all prior negotiations, representations, leases or other contracts, either written or oral. This lease cannot be changed except by a written instrument subsequently executed by the parties or included in the body of the lease and signed by the parties.

(f) **INDEMNITY** - The Lessee shall release, indemnify, and hold harmless the State, the Lessor, and their officers, agents, employees, successors and assignees from any cause of action, or claims or demands arising out of this lease.

(g) **SOVEREIGN IMMUNITY** - The State of Wyoming and the Lessor do not waive sovereign immunity by entering into this lease, and specifically retain immunity and all defenses available to them as sovereigns pursuant to W.S. 1-39-104(a) and all other state law.

(h) **WAIVERS** - The failure of Lessor to insist on a strict performance of any of the terms and conditions hereof shall not be deemed a waiver of the rights or remedies that Lessor may have regarding that specific term or condition.

(i) **EXTENUATING CIRCUMSTANCES** - In the event circumstances arise for whatever reason which create the impossibility of continuing the lease, it may be canceled by either party upon written notice. Neither party shall be liable for failure to perform under this lease if the failure is based upon the extenuating circumstances. Lessor reserves the right to determine whether circumstances create an impossibility. A partial refund of the annual payment may be made on a case-by-case basis.

(8) **SIGNATURES** - IN WITNESS WHEREOF, the parties to this lease through their duly authorized representative have executed this lease on the dates set out below, and certify that they have read, understand, and agree to the terms and conditions of this lease.

LESSOR: THE STATE OF WYOMING  
BOARD OF LAND COMMISSIONERS

BY:

  
Bridget Hill  
Director, Office of State Lands and Investments

Date:

APR 27 2015

LESSEE:

  
David Holt, authorized signatory  
Pacific Power & Light Company

Date:

4/17/15





**ATTACHMENT B**

**Property Lease Between PacifiCorp and Vollman Ranches, Inc.**

## PROPERTY LEASE

This PROPERTY LEASE (the "Lease") is entered by and between **PACIFICORP, an Oregon Corporation** of 1407 West North Temple, Salt Lake City, Utah 84116 (the "**Lessor**") and **VOLLMAN RANCHES, INC.**, of 28 Highland Loop Road, Douglas, Wyoming 82633 (the "**Lessee**"), to be effective as of May 1, 2014.

## RECITALS

A. Lessor owns a certain parcel of real property located in Converse County, State of Wyoming, more particularly described in **Exhibit A**, and holds a Grazing and Agricultural Lease with the State of Wyoming, Lease No. 1-8189 (a copy of which is attached hereto as **Exhibit B** (the "**Property**").

B. Lessee desires to lease a portion of the Property consisting of approximately 11,800 acres, more or less (the "**Premises**") for the purpose of livestock grazing.

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 is hereby acknowledged and received, Lessor and Lessee agree to the following terms and conditions:

1. **Leased Premises.** Lessor does hereby lease the Premises to Lessee for the limited purposes of livestock grazing (the "**Activities**") and for no other purpose without Lessor's prior written consent. The Premises is more particularly described in Exhibit "A", which is attached to and by this reference made a part hereof.

1.1 **Sublease of Wyoming State Lands.** Lessor also sublets to Lessee any leased lands of the State of Wyoming on which Lessor presently holds leases and which are normally utilized in connection with said Premises. Lessee agrees to faithfully observe and perform all of the duties and obligations as required by the State of Wyoming Grazing and Agricultural Lease. The Wyoming State Lands lease is more particularly described in Exhibit "A" a copy of which is attached hereto as **Exhibit B**.

1.2 **Authorized Occupation and Use.** Lessee's authorized occupation and use of the Premises shall not exceed 4,714.50 AUMs each calendar year.

2. **Term.**

2.1 **Lease Term.** The term of this Lease shall be five (5) years, commencing on the 1<sup>st</sup> day of June, 2015 and ending on the 31<sup>st</sup> day of May, 2020, unless earlier terminated as provided under this Lease.

2.2 **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 ninety (90) 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 eight thousand one hundred dollars (\$28,100) as shown on Table 3.1 Rent Payment. The first rent payment shall be due and payable upon the execution of this Lease.

**Table 3.1 Rent Payment**

Term			Rent Payment	
Year	Start	End	Rent*	Date Due
1	1-June-15	31-May-16	\$28,100.00	1-June-15
2	1-June-16	31-May-17	\$28,100.00	1-June-16
3	1-June-17	31-May-18	\$28,100.00	1-June-17
4	1-June-18	31-May-19	\$28,100.00	1-June-18
5	1-June-19	31-May-20	\$28,100.00	1-June-19

*\*Rent based upon 20 acres per animal unit (AU) x 8 months = animal unit months (AUM). 11,800 acres divided by 20 acres per AU = 589.312 AU x 8 months = 4,714.50 AUMs. \$5.95 per AUM = \$28,051.28 per year, rounded to \$28,100.*

3.2 **Rent Increase If Lease Extended.** At the end of the Lease Term, if Lessee extends the lease by exercising the Option to Renew as per section 2.2, the rent payment shall increase as shown on Table 3.2 Rent Increase.

**Table 3.2 Rent Increase**

Term			Rent Payment	
Year	Start	End	Rent	Date Due
6	1-June-20	31-May-21	\$32,500.00	1-June-20
7	1-June-21	31-May-22	\$32,500.00	1-June-21
8	1-June-22	31-May-23	\$32,500.00	1-June-22
9	1-June-23	31-May-24	\$32,500.00	1-June-23
10	1-June-24	31-May-25	\$32,500.00	1-June-24

3.3 **Payment of Rent.** Each annual rent payment of the original or option terms shall be due and payable in advance on the 1<sup>st</sup> day of June and shall be sent to the following address:

*PacifiCorp  
Central Cashiers  
P.O. Box 5504  
Portland, OR 97228-5504*

3.4 **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 Right Permits.** In addition to the use of the premises, Lessee shall have the right to use all water right permits appurtenant to the Premises (the "**Water Rights**") listed as permits UW19400 (book 102, page 38), UW19401 (book 102, page 39), UW19402 (book 102, page 40), UW19403 (book 102, page 41), and UW55423 (book 334, page 55). Lessee agrees to use the Water Rights for stock water only on the Premises and to file Lessee's annual written verification of use of Lessor's Water Rights, if required, stating the dates such Water Rights are used and the amounts of water used. Lessee's annual verification of Water Rights use is due on or before the 1<sup>st</sup> day of December of each year. Lessee shall notify Lessor immediately of any use of the Water Rights third persons make or endeavor to make.

#### 6.0 **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, facility, improvements, 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 **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 or 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.

6.4 **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.

## 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. Lessor shall have the right to conditionally approve, modify, or deny the requested storage at its sole discretion.

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 vegetation 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.**

7.7 **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 **Hunting.** Lessee shall not allow any hunting on the Premises, nor shall Lessee sell or lease hunting privileges on the Premises.

7.9 **Animals on 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 the 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 the Activities on the Premises. Lessee agrees to maintain all fences on or around the Premises in good condition during the term of this lease.

7.10 **Soil Erosion.** Lessee will control soil erosion as completely as practicable 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.

7.11 **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 **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.

7.13 **Safety Regulations:** Lessee shall adhere to the requirements of the National Electrical Code ("NEC"), the National Electrical Safety Code ("NESC"), the Occupational Safety and Health Act ("OSHA"), all of which are incorporated by reference, any governing authority having jurisdiction over the subject matter, and any other safety requirements Lessor may require. Where difference in specifications may exist, the more stringent shall apply. All requirements of the NESC referred to in this Lease shall mean the current edition of such code and shall include any additional requirements of any applicable federal, state, county or municipal code or regulatory agency.

7.14 **Responsibility for Third Party Access.** Lessee shall require its employees, contractors, agents and representatives who will access the Premises pursuant to the permission granted herein to adhere to the terms and conditions of this Lease.

7.15 **Supplemental Feeding.** Creep feeders and other supplemental feeders shall not be used without the prior written consent of Lessor. Salt and mineral supplements may be used but must be placed in a tub or mineral feeder. All mineral tubs and feeders shall be located to optimize forage utilization and shall be removed at the end of each calendar year.

7.16 **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). Notwithstanding the foregoing, Lessee may use firearms on a limited basis to control predatory animals on the Premises, provided such use is strictly in compliance with all applicable laws, rules and regulations, and subject to all of the other terms and conditions of this Lease, including but not limited to Section 13.

8. **Environmental Regulations.** Lessee shall strictly comply in all material respects with all federal, state, and local environmental laws, regulations, and ordinances (the "**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 or substations, power lines and associated equipment and facilities and to place additional generation facilities, substations, and additional poles, lines, and equipment upon the Premises. It is further understood and agreed that Lessor hereby reserved 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 ten (10) days advance notice and Lessee agrees to 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. 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, assertion of valid defenses or initiation and prosecution of an action requiring removal of the lien.

12. **Compliance with Law, Preventing Waste.** Lessee shall, at all times, comply with all laws, ordinances, and regulations 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 the 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. All of



Lessee's indemnification obligations under this Lease will survive the expiration or termination of this Lease, whether or not it was stated elsewhere in this Lease that these obligations would survive.

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 **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.

14.5 **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 14.1, 14.2, and 14.3 shall include waivers of subrogation in favor of the Lessor.

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.** 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 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: Vollman Ranches, Inc.  
Robert J. Vollman, President  
28 Highland Loop Road,  
Douglas, Wyoming 82633  
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, OR REQUEST 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.

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.

19.14 **Confidentiality.** Lessor and Lessee agree to keep the terms of this Lease confidential; provided that Lessor and Lessee may disclose the terms of this Lease to their respective attorneys, accountants, bankers and other consultants who have an ethical obligation to keep such matters confidential; and Lessor and Lessee may disclose the terms of this Lease if compelled to do so by legal process or for the purpose of enforcing the terms of this Lease. Lessor may disclose such terms of this Lease as may be required by any public utility commission in any state in which Lessor operates, any securities laws or regulations or as Lessor's accountants, auditors or other consultants may reasonably recommend for any securities filings that Lessor is obligated to make under applicable laws, rules and regulations (including the regulations of any stock exchange). Without limitation, neither Lessor nor Lessee shall issue any press release, nor shall either party participate in any interview or investigation by the print or broadcast media regarding the terms of this Lease.

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

**LESSOR**  
**PACIFICORP, an OREGON CORPORATION**

**LESSEE**  
**VOLLMAN RANCHES**

\_\_\_\_\_

\_\_\_\_\_  
Robert J. Vollman, President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**EXHIBIT A****Page 1 of 3****Township 33 North, Range 73 West, 6<sup>th</sup> PM**

Section 5: That part of the SW  $\frac{1}{4}$  NE $\frac{1}{4}$  described as follows: Beginning at the Southeast corner of the SW  $\frac{1}{4}$  NE  $\frac{1}{4}$ ; thence North along the quarter section line a distance of 460 feet; thence West on a line parallel to the section line a distance of 1,320 feet; thence South a distance of 460 feet to the Southwest corner of SW  $\frac{1}{4}$  NE  $\frac{1}{4}$ ; thence East along the half section line a distance of 1,320 feet to the point of beginning; and

That portion of the SE  $\frac{1}{4}$  NW  $\frac{1}{4}$  of Section 5 described as follows: Commencing at the Southeast corner of the SE  $\frac{1}{4}$  NW  $\frac{1}{4}$ ; thence North to a point on the north-south centerline of said section 935 feet south of the Northeast corner of said SE  $\frac{1}{4}$  NW  $\frac{1}{4}$ ; thence West 100 feet; thence southwesterly on an angle of 208° to the half section line; thence East a distance of 260 feet to the point of beginning; and

That portion of the NE  $\frac{1}{4}$  SW  $\frac{1}{4}$  of Section 5 described as follows: Commencing at the Northeast corner of the NE  $\frac{1}{4}$  SW  $\frac{1}{4}$ ; thence West along the half section line a distance of 260 feet; thence southerly on an angle 208° a distance of 1,295 feet more or less to the North line of the railroad right of way; thence easterly a distance of 820 feet more or less along the North line of the railroad right of way to the half section line; thence North a distance of 1,200 feet more or less to the point of beginning; and the SE  $\frac{1}{4}$ ; and all of the SE  $\frac{1}{4}$  SW  $\frac{1}{4}$  lying south of the south boundary line of the railroad right of way.

Section 6: NW  $\frac{1}{4}$ .

Section 7: That part of the N  $\frac{1}{2}$  NE  $\frac{1}{4}$  lying north and east of the center line of the North Platte River.

Section 8: That part of the N  $\frac{1}{2}$  NE  $\frac{1}{4}$  lying north of the center line of the North Platte River.

**Township 34 North, Range 73 West, 6<sup>th</sup> PM**

Section 19: SW  $\frac{1}{4}$

Section 30: W  $\frac{1}{2}$

Section 31: W  $\frac{1}{2}$

**Township 33 North, Range 74 West, 6<sup>th</sup> PM**

Section 1: N  $\frac{1}{2}$ ; N  $\frac{1}{2}$  SW  $\frac{1}{4}$ .

Section 2: Lots 1 & 2; and all of Lot 3, except the west 33 feet thereof; N  $\frac{1}{2}$  SE  $\frac{1}{4}$ ; S  $\frac{1}{2}$  SE  $\frac{1}{4}$ .

Section 4: S  $\frac{1}{2}$  NE  $\frac{1}{4}$ ; N  $\frac{1}{2}$  SE  $\frac{1}{4}$ ; SW  $\frac{1}{4}$  SE  $\frac{1}{4}$ ; SW  $\frac{1}{4}$  NW  $\frac{1}{4}$ ; W  $\frac{1}{2}$  SW  $\frac{1}{4}$ ; and all of the SE  $\frac{1}{4}$  except 3.12 acres described as: Beginning at a point on the east Section line of Section 4, 3,900 feet due south of the Northeast Corner of said Section; thence due West 170 feet; thence due south 1,000 feet parallel to the east Section line of said Section 4; thence East 170 feet to the east line of Section 4; thence North along the east line of said Section 4, 1,000 feet to the point of beginning, as deeded in Book 128 at Page 363 of the records of Converse County, Wyoming.

**Exhibit A**  
**Page 2 of 3**

- Section 5: W  $\frac{1}{2}$  NE  $\frac{1}{4}$ ; SE  $\frac{1}{4}$  NE  $\frac{1}{4}$ ; E  $\frac{1}{2}$  NW  $\frac{1}{4}$ ; N  $\frac{1}{2}$  SE  $\frac{1}{4}$ ; NE  $\frac{1}{4}$  SW  $\frac{1}{4}$ ; and all of the W  $\frac{1}{2}$  NW  $\frac{1}{4}$ ; and NW  $\frac{1}{4}$  SW  $\frac{1}{4}$  except so much thereof as previously conveyed to Pacific Power & Light Company.
- Section 6: N  $\frac{1}{2}$ ; N  $\frac{1}{2}$  S  $\frac{1}{2}$ .
- Section 9: NW  $\frac{1}{4}$  NW  $\frac{1}{4}$ ; S  $\frac{1}{2}$  NW  $\frac{1}{4}$ ; N  $\frac{1}{2}$  SW  $\frac{1}{4}$ ; NW  $\frac{1}{4}$  SE  $\frac{1}{4}$ ; W  $\frac{1}{2}$  NE  $\frac{1}{4}$ ; NE  $\frac{1}{4}$  NE  $\frac{1}{4}$ .
- Section 10: N  $\frac{1}{2}$  NW  $\frac{1}{4}$ ; NW  $\frac{1}{4}$  NE  $\frac{1}{4}$ .

**Township 34 North, Range 74 West, 6<sup>th</sup> PM**

- Section 21: All
- Section 22: NE  $\frac{1}{4}$  NW  $\frac{1}{4}$ ; W  $\frac{1}{2}$  W  $\frac{1}{2}$ ; E  $\frac{1}{2}$  SW  $\frac{1}{4}$ .
- Section 23: S  $\frac{1}{2}$ ; S  $\frac{1}{2}$  N  $\frac{1}{2}$ ; N  $\frac{1}{2}$  NW  $\frac{1}{4}$ .
- Section 24: S  $\frac{1}{2}$  NW  $\frac{1}{4}$ ; S  $\frac{1}{2}$ .
- Section 25: E  $\frac{1}{2}$ ; S  $\frac{1}{2}$  SW  $\frac{1}{4}$ ; NW  $\frac{1}{4}$  SW  $\frac{1}{4}$ ; N  $\frac{1}{2}$  NW  $\frac{1}{4}$ .
- Section 26: N  $\frac{1}{2}$ ; SE  $\frac{1}{4}$ ; E  $\frac{1}{2}$  SW  $\frac{1}{4}$ ; SW  $\frac{1}{4}$  SW  $\frac{1}{4}$ .
- Section 27: All
- Section 28: All
- Section 31: All except portions previously conveyed to PP&L
- Section 32: All except portions previously conveyed to PP&L
- Section 33: All
- Section 34: All
- Section 35: All

**Wyoming State Permit 1-8189**

**Township 34 North Range 74 West, 6<sup>th</sup> PM**

- Section 36: All

Entire lease contains approximately 11,800 acres, more or less and is subject to all mineral reservations, easements, leases, encumbrances and rights of way of record.

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, Lessor 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, Lessor's designated representative's decision shall be final. Lessor reserves the right at any time to redefine or mark the Premises and to substitute or replace the legal description in this **Exhibit A**.