



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

October 24, 2016

VIA ELECTRONIC FILING

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

Attn: Filing Center

RE: UI ___ —PacifiCorp's Application Requesting Approval of Affiliate Interest Transactions with Environment One Corp.

PacifiCorp d/b/a Pacific Power encloses for filing its Application Requesting Approval of Affiliate Interest Transactions with Environment One Corp.

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

By E-Mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, Oregon, 97232

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

Sincerely,

R. Bryce Dalley
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of,
PACIFICORP d/b/a Pacific Power,
Requesting Approval of Affiliate Interest
Transactions with Environment One Corp.,
via Precision Castparts Company.

APPLICATION OF PACIFICORP

1 In accordance with ORS 757.495(1) and OAR 860-027-0040, PacifiCorp d/b/a
2 Pacific Power (PacifiCorp or Company) requests approval from the Public Utility
3 Commission of Oregon (Commission) for ongoing ordinary course affiliated interest product
4 and service procurement transactions from time to time with Environment One Corp.
5 (Environment One), pursuant to the terms of PacifiCorp’s standard purchase orders.
6 Environment One became an affiliate of PacifiCorp on January 29, 2016, as noted below.
7 Environment One provides PacifiCorp with certain mechanical parts, supplies, and services
8 used by PacifiCorp’s large thermal generation plants, including vacuum pumps, cloud
9 chamber assemblies and collector analysis, cleaning, and repair. PacifiCorp purchased such
10 mechanical parts, supplies and services from Environment One before Berkshire Hathaway,
11 Inc. (Berkshire Hathaway) acquired Precision Castparts Company (Precision), and desires to
12 continue using Environment One as one of its generation parts and services suppliers.

13 The parts and services are purchased from Environment One from time to time via
14 standard PacifiCorp purchase orders, in the same manner as other supplies purchased via
15 PacifiCorp’s procurement department. In the past 90 days, the Company issued six such
16 purchase orders, totaling \$6,493, which are included with this Application as Attachment A
17 (the Purchase Orders). In addition, PacifiCorp recently discovered that it had purchased an

1 additional \$41,898 in parts and services from Environment One between January 29, 2016,
2 and July 8, 2016, under the above-described pre-existing vendor relationship. Environment
3 One was not initially flagged as an affiliate in PacifiCorp’s affiliate tracking systems due to a
4 naming convention issue in the software, which has now been remedied, and additional
5 compliance checks have been run with respect to Precision and its voluminous subsidiaries.
6 Copies of the additional Purchase Orders are also included in Attachment A.

7 Attachment A is filed as confidential consistent with OAR 860-001-070. This
8 Attachment contains commercially sensitive pricing information that could expose the
9 Company and Environment One to competitive injury if disclosure is unrestricted. The
10 Company respectfully requests that the Commission approve the Purchase Orders and
11 subsequent purchases made with Environment One under similar agreements via standard
12 PacifiCorp purchase orders as affiliated interest agreements. To ensure adequate
13 Commission review, the Company will report these transactions in its annual affiliated
14 interest report. OAR 860-027-0043 allows for waiver of the filing requirements for
15 individual transactions or classes of transactions.

16 **I. Background**

17 PacifiCorp is a wholly-owned indirect subsidiary of Berkshire Hathaway Energy
18 Company (BHE). BHE is a subsidiary of Berkshire Hathaway. On January 29, 2016,
19 Berkshire Hathaway completed its acquisition of Precision. Environment One is a wholly-
20 owned indirect subsidiary of Precision. “Affiliated interest,” as defined in ORS 757.015(3),
21 includes every corporation five percent or more of whose voting securities are owned by any
22 corporation or person owning five percent of the voting securities of a public utility or in any
23 successive chain of ownership of a public utility. Berkshire Hathaway’s ownership interest

1 in PacifiCorp through BHE, and its recently acquired ownership interest in Environment One
2 through Precision, qualifies Environment One as an affiliated interest of PacifiCorp.

3 Environment One provides PacifiCorp with certain mechanical parts, supplies, and
4 services used by PacifiCorp's large thermal generation plants, including vacuum pumps,
5 cloud chamber assemblies and collector analysis, cleaning, and repair. PacifiCorp purchased
6 such mechanical parts, supplies and services from Environment One before Berkshire
7 Hathaway acquired Precision, and desires to continue using Environment One as one of its
8 generation parts and services suppliers. Such parts, supplies and services are purchased from
9 time to time via purchase orders, in the same manner as other supplies purchased via
10 PacifiCorp's procurement department.

11 PacifiCorp purchases the parts and services from Environment One as needed from
12 time to time, to use in its fleet of generation plants. As such, there is no set dollar amount of
13 such purchases, but PacifiCorp has historically purchased approximately \$110,000 of
14 Environment One parts and services on average per year, and anticipates future purchase
15 levels will be similar.

16 The Purchase Orders contain standard commercial sales terms and conditions to
17 protect the Company's ability to provide safe and reliable service. Thus, the use of
18 Environment One as a supplier of products and services under similar agreements via
19 standard PacifiCorp purchase orders will not harm the public interest.

20 The Company notes that these transactions may qualify for a waiver of the OAR
21 860-027-0040 filing requirements based on the amount spent for the transactions. OAR 860-
22 027-0043 allows for the waiver of the rules governing affiliate interest transactions upon
23 petition by a utility and approval by the Commission, including transactions valued at less

1 than 0.1 percent of the utility’s Oregon operating revenues for the previous calendar year.
2 The average amount spent per Purchase Order transaction with Environment is less than
3 \$5,000.

4 With this Application, the Company requests Commission approval to engage in
5 business transactions with Environment One as more fully described below.

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

7 **A. Address**

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

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

12 **B. Communications and Notices**

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

14 PacifiCorp Oregon Dockets
15 825 NE Multnomah Street, Suite 2000
16 Portland, OR 97232
17 OregonDockets@pacificorp.com

Jeffery B. Erb
Assistant General Counsel
Pacific Power
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-5029
jeff.erb@pacificorp.com

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

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

datarequest@pacificorp.com

24 By regular mail

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

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

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

2 PacifiCorp is a wholly-owned, indirect subsidiary of BHE. BHE is a subsidiary of
3 Berkshire Hathaway. Environment One is a wholly-owned, indirect subsidiary of Precision.
4 Precision is also a subsidiary of Berkshire Hathaway. Therefore, Environment One is an
5 “affiliated interest” of the Company as set forth in ORS 757.015(3).

6 **D. Voting Securities**

7 The Company and Environment One do not own voting securities in each other.

8 **E. Common Officers and Directors**

9 The Company and Environment One do not share any officers or directors.

10 **F. Pecuniary Interest**

11 No officer or director of either the Company or Environment One is a party to or has
12 a pecuniary interest in the contemplated business transactions between the Company and
13 Environment One.

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

16 Environment One provides PacifiCorp with certain mechanical parts, supplies, and
17 services used by PacifiCorp’s large thermal generation plants, including vacuum pumps,
18 cloud chamber assemblies and collector analysis, cleaning, and repair. PacifiCorp purchased
19 such mechanical parts, supplies and services from Environment One before Berkshire
20 Hathaway acquired Precision, and desires to continue using Environment One as one of its
21 generation parts and services suppliers. Such parts, supplies and services are purchased from
22 time to time via purchase orders, in the same manner as other supplies purchased via
23 PacifiCorp’s procurement department.

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

2 PacifiCorp purchases the parts and services from Environment One as needed from
3 time to time, to use in its fleet of generation plants. As such, there is no set dollar amount of
4 such purchases, but PacifiCorp has historically purchased approximately \$110,000 of
5 Environment One parts and services on average per year, and anticipates future purchase
6 levels will be similar.

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

9 PacifiCorp’s purchase of parts and services from Environment One is in the public
10 interest because it allows the Company to maintain its assets necessary to provide electric
11 service and to meet its obligation to provide safe and reliable electric service. The Purchase
12 Orders contain standard commercial sales terms and conditions to protect the Company’s
13 ability to provide safe and reliable service. Thus, the use of Environment One as a supplier
14 of products and services under similar agreements via standard PacifiCorp purchase orders
15 will not harm the public interest.

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

17 As noted above, these supplies and services are purchased by the PacifiCorp
18 procurement department in accordance with PacifiCorp’s normal procurement policies.

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

20 The goods and services supplied under the Purchase Order and similar purchase
21 orders are priced at Environment One’s standard rates.

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

23 Copies of Purchase Orders issued since January 29, 2016 are included with this
24 Application as Attachment A.

1 **M. Copy of Board Resolutions**

2 The Purchase Orders do not require a resolution from PacifiCorp’s Board of
3 Directors.

4 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that
5 the Commission issue an order authorizing PacifiCorp to conduct business with Environment
6 One under the Purchase Orders and under similar agreements via standard PacifiCorp
7 purchase orders, under the provisions of ORS 757.495 and OAR 860-027-0040.

8 DATED: October 24, 2016.

Respectfully submitted,



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

ATTACHMENT A

CONFIDENTIAL

**Confidential information is provided as confidential under
separate cover pursuant to OAR 860-01-0070**