



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

September 28, 2016

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

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

Attn: Filing Center

RE: UI ___ —PacifiCorp's Application Requesting Approval of an Affiliate Interest Transaction with International Business Machines Corporation

PacifiCorp d/b/a Pacific Power encloses for filing its Application Requesting Approval of an Affiliate Interest Transaction with International Business Machines Corporation (IBM).

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 Ordinary Course
Affiliate Interest Transaction with
International Business Machines
Corporation (IBM)

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 an ordinary course affiliated interest transaction
4 with International Business Machines Corporation (IBM) and its affiliate IBM Credit LLC
5 (IGF), and specifically, IBM’s provision to PacifiCorp of certain information technology
6 computer products and services for multiple computer applications, pursuant to the terms of
7 an Enterprise Software and Support Option (ESSO) agreement (Agreement). The Agreement
8 allows IBM to provide such products and services under one “master” ESSO agreement,
9 rather than providing those services under a separate agreement for each application. A copy
10 of the Agreement is included with this Application as Attachment A. In addition, PacifiCorp
11 will also enter into a related Transaction Finance Agreement (TFA) under which PacifiCorp
12 will remit payments for the IBM products and services under the ESSO. A copy of the TFA
13 is included with this Application as Attachment B. The Attachments are commercially-
14 sensitive and are subject to a provision in the ESSO requiring that the entire contract (and the
15 terms of associated documents that are incorporated therein by reference, including the TFA)
16 be designated confidential. Disclosure of the information could erode the Company’s
17 bargaining position and could be deemed to be a breach of contractual obligations.

1 The Attachments are submitted as confidential in accordance with OAR 860-001-0070. The
2 Company respectfully requests the Commission approve the Agreement and TFA as
3 affiliated interest agreements and allow PacifiCorp to engage in the transactions described
4 therein.

5 **I. Background**

6 PacifiCorp is a wholly-owned indirect subsidiary of Berkshire Hathaway Energy
7 Company (BHE). BHE is a subsidiary of Berkshire Hathaway, Inc. (Berkshire Hathaway).
8 Berkshire Hathaway publicly owns IBM common stock totaling greater than a five percent
9 interest.

10 “Affiliated interest,” as defined in ORS 757.015(3), includes every corporation five
11 percent or more of whose voting securities are owned by any corporation or person owning
12 five percent of the voting securities of a public utility or in any successive chain of ownership
13 of a public utility. Berkshire Hathaway’s ownership interest in PacifiCorp through BHE, and
14 ownership interest in IBM, qualifies IBM as an affiliated interest of PacifiCorp.

15 The Company has historically used a variety of technologies from IBM to support the
16 delivery of key business functions. Specific functions provided by IBM include support for
17 the Company’s customer service and billing, support for enterprise reporting and analytics in
18 the Enterprise Data Warehouse, support for Corporate Enterprise Content Management for
19 document storage, archiving and retrieval, and support for optimization of energy trading
20 activities. The ESSO allows the Company to bundle certain software licensing purchases and
21 support services to achieve benefits over the term of the contract. PacifiCorp anticipates
22 saving approximately \$1,500,000 on a total-company basis over the next three years.
23 PacifiCorp submitted notice to this Commission of the previous ESSO agreement on

1 September 26, 2013 (Docket No. UI 341), which the Commission approved in Order 13-486.
2 The previous ESSO agreement expired May 31, 2016.

3 The Company relies on software furnished by IBM to create and maintain critical
4 business records. This software is proprietary to IBM; therefore, only IBM is able to provide
5 the service. Without the software furnished by IBM, many groups in the Company would
6 not be able to perform critical tasks necessary for business functions or prepare reports
7 related to those business functions. Procurement and installation of different reporting
8 systems would require considerable additional time and expense. Accordingly, the
9 transaction is consistent with the public interest.

10 The Agreement and TFA contain standard information technology commercial terms
11 and conditions to protect the Company's ability to provide safe and reliable service. Thus,
12 the use of IBM under the Agreement and TFA will not harm the public interest.

13 With this Application, the Company requests Commission authorization to engage in
14 the business transactions under the terms and conditions of the Agreement and TFA.

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

16 **A. Name and Address**

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

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

21 **B. Communications and Notices**

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

1 PacifiCorp Oregon Dockets
2 825 NE Multnomah Street, Suite 2000
3 Portland, OR 97232
4 OregonDockets@pacificorp.com

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

8 Additionally, PacifiCorp respectfully requests that all data requests regarding this
9 matter be addressed to:

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

datarequest@pacificorp.com

11 By regular mail

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

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

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

17 PacifiCorp is a wholly-owned indirect subsidiary of Berkshire Hathaway Energy
18 Company (BHE). BHE is a subsidiary of Berkshire Hathaway, Inc. (Berkshire Hathaway).
19 Berkshire Hathaway publicly owns IBM common stock totaling greater than a five percent
20 interest. Therefore, IBM is an “affiliated interest” of the Company as set forth in ORS
21 757.015(3).

22 **D. Voting Securities**

23 The Company and IBM do not own voting securities of each other.

24 **E. Common Officers and Directors**

25 The Company and IBM do not share any common officers or directors.

26 **F. Pecuniary Interest**

27 No officer or director of either the Company or IBM is a party to or has a pecuniary
28 interest in the contemplated business transactions between the Company and IBM.

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

3 Under the Agreement and TFA, IBM will provide to PacifiCorp certain information
4 technology computer products and services for multiple computer applications, pursuant to
5 the terms of thereof. The Agreement allows IBM to provide such products and services under
6 one “master” ESSO agreement, rather than providing those services under a separate
7 agreement for each application. Section 8 of the ESSO contains pricing information. This
8 information is confidential due to its commercial sensitivity and is provided in accordance
9 with OAR 860-001-0070. Without the protections of the confidential designation, the
10 Company’s bargaining position could be eroded and other competitive harm could occur.

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

12 See Section G above.

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

15 The Company has historically used a variety of technologies from IBM to support the
16 delivery of key business functions. Specific functions provided by IBM include support for
17 the Company’s customer service and billing, support for enterprise reporting and analytics in
18 the Enterprise Data Warehouse, support for Corporate Enterprise Content Management for
19 document storage, archiving and retrieval, and support for optimization of energy trading
20 activities. The ESSO allows the Company to bundle certain software licensing purchases and
21 support services to achieve benefits over the term of the contract. Accordingly, the Company
22 will receive cost savings for the software and service provided under the ESSO.

23 The Company relies on software furnished by IBM to create and maintain critical
24 business records. This software is proprietary to IBM; therefore, only IBM is able to provide
25 the service. Without the software furnished by IBM, many groups in the Company would

1 not be able to perform critical tasks necessary for business functions or prepare reports
2 related to those business functions. Procurement and installation of different reporting
3 systems would require considerable additional time and expense. Accordingly, the
4 transaction is consistent with the public interest.

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

6 The Company used a sole source purchasing process. The Company relies on
7 software furnished by IBM to create and maintain critical business records. This software is
8 proprietary to IBM; therefore, only IBM is able to provide the service. The ESSO was
9 negotiated at arms' length between PacifiCorp and IBM.

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

11 The ESSO allows PacifiCorp to bundle certain software licensing purchases and
12 support services to achieve significant savings over the term of the contract. PacifiCorp
13 anticipates saving approximately \$1,500,000 on a total-company basis over the next three
14 years.

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

16 Copies of the Agreement and TFA are included with this Application as Attachments
17 A and B, respectively.

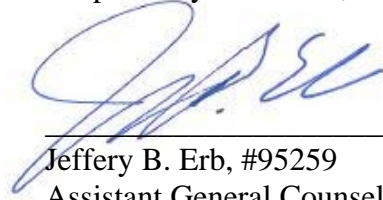
18 **M. Copy of Board Resolutions**

19 Execution of the Agreement and TFA does not require approval from PacifiCorp's
20 Board of Directors.

21 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that
22 the Commission issue an order authorizing PacifiCorp to conduct business with IBM under
23 the terms of the Agreement and TFA, under the provisions of ORS 757.495 and OAR 860-
24 027-0040.

DATED: September 28, 2016

Respectfully submitted,



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

ATTACHMENT A

Enterprise Software and Support Option Agreement

**THIS ATTACHMENT IS
CONFIDENTIAL
IN ACCORDANCE WITH
OAR 860-001-0070
AND PROVIDED UNDER
SEPARATE COVER**

ATTACHMENT B

Transaction Finance Agreement

**THIS ATTACHMENT IS
CONFIDENTIAL
IN ACCORDANCE WITH
OAR 860-001-0070
AND PROVIDED UNDER
SEPARATE COVER**