

August 14, 2014

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

Public Utility Commission of Oregon
3930 Fairview Industrial Drive S.E.
Salem, OR 97302-1166

Attn: Filing Center

**RE: UI ___—Application Request Approval of an Affiliated Interest Transaction with
Wells Fargo Bank N.A. – Replacement Filing**

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submits for filing its Application Requesting Approval of an Affiliated Interest Transaction with Wells Fargo Bank N.A. An original and three copies will be provided by overnight delivery. Attachment A is confidential and provided under OAR 860-001-0070.

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, OR 97232

Informal questions concerning this filing may be directed to Natasha Siores, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,



R. Bryce Dalley
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of
PACIFICORP d/b/a Pacific Power,
Requesting Approval of an Affiliated
Interest Agreement with Wells Fargo Bank
N.A.

APPLICATION OF PACIFICORP

1 Under the provisions of ORS 757.495(1) and in accordance with OAR 860-027-0040,
2 PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) requests approval from the Public
3 Utility Commission of Oregon (Commission) of the International Swap Dealers Association
4 Master Agreement, as amended by the First Amendment to ISDA Master Agreement, the
5 Amendment Adopting, Incorporating and Amending the ISDA August 2012 Dodd-Frank
6 (DF) Supplement and the Amendment Adopting, Incorporating and Amending the ISDA
7 March 2013 DF Supplement, all between PacifiCorp and Wells Fargo Bank, N.A. (Wells
8 Fargo), a copy of which is attached to this Application as Confidential Exhibit A. These
9 attachments contain commercially-sensitive information that the Company is further
10 obligated pursuant to the terms thereof to maintain as confidential and are provided as
11 confidential pursuant to OAR 860-001-0070. Throughout this Application, the Company
12 will refer to the Master Agreement and Amendments collectively as the “ISDA.”
13 Additionally, in accordance with OAR 860-027-0043, the Company seeks a waiver of the
14 filing requirements contained in OAR 860-027-0040 as described in Section II.G below.

15 **I. Background**

16 PacifiCorp is a wholly-owned indirect subsidiary of Berkshire Hathaway Energy
17 Company (BHE). BHE is a subsidiary of Berkshire Hathaway, Inc. (Berkshire Hathaway).
18 Warren E. Buffet (an individual who may be deemed to control Berkshire Hathaway),

1 Berkshire Hathaway, various subsidiaries of Berkshire Hathaway and various employee
2 benefit plans of Berkshire Hathaway subsidiaries together held in excess of a 5 percent
3 interest in Wells Fargo & Company common stock. Wells Fargo Bank, N.A. is a subsidiary
4 of Wells Fargo & Company. “Affiliated interest,” as defined in ORS 757.015(3), includes
5 every corporation five percent or more of whose voting securities are owned by any
6 corporation or person owning five percent of the voting securities of a public utility or in any
7 successive chain of ownership of a public utility. Berkshire Hathaway’s ownership interest
8 in PacifiCorp and Wells Fargo qualifies as an affiliated interest.

9 Wells Fargo is a publicly traded company with diverse operations, including, among
10 other things, offering natural gas hedging products and other financial instruments.
11 PacifiCorp entered into the ISDA with Wells Fargo in 2004, prior to the existence of an
12 affiliate relationship. Additionally, the Company has been reporting transactions under the
13 ISDA in the annual affiliate interest transaction report since 2009. To ensure the appropriate
14 transparency into the Company’s transactions with affiliates and to ensure consistent
15 treatment of affiliate contracts, PacifiCorp now files the ISDA with the Commission.

16 With this Application, the Company requests Commission approval of the ISDA as
17 more fully described below.

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

19 **A. Address**

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

21 PacifiCorp
22 825 NE Multnomah Street
23 Portland, OR 97232

24 **B. Communications and Notices**

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

1 PacifiCorp Oregon Dockets
2 825 NE Multnomah Street, Suite 2000
3 Portland, OR 97232
4 OregonDockets@pacificorp.com
5
6
7

Michelle R. Mishoe
Senior Counsel
Pacific Power
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-5977
michelle.mishoe@pacificorp.com

8 In addition, 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 St., Suite 2000
Portland, OR 97232

12
13
14
15 Informal inquires may be directed to Natasha Siores, Director of Regulatory Affairs
16 and Revenue Requirement, at (503) 813-6583.

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

18 PacifiCorp is a wholly owned indirect subsidiary of MEHC. MEHC is a subsidiary of
19 Berkshire Hathaway. Warren E. Buffet, Berkshire Hathaway, various subsidiaries of
20 Berkshire Hathaway and various employee benefit plans of Berkshire Hathaway subsidiaries
21 together held in excess of five percent interest in Wells Fargo & Company common stock.
22 Wells Fargo Bank, N.A. is a subsidiary of Wells Fargo & Company. Therefore, Wells Fargo
23 is an “affiliated interest” of the Company as set forth in ORS 757.015(3).

24 **D. Voting Securities**

25 The Company and Wells Fargo do not own voting securities in each other.

26 **E. Common Officers and Directors**

27 The Company and Wells Fargo do not share any officers or directors.

1 **F. Pecuniary Interest**

2 No officer or director of either the Company or Wells Fargo is a party to or has a
3 pecuniary interest in the contemplated business transactions between the Company and Wells
4 Fargo.

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

7 The ISDA is master agreement under which the Company and Wells Fargo enter into
8 commodity derivative transactions with each other. In the recent past, PacifiCorp has entered
9 into natural gas financial hedge transactions with Wells Fargo under the ISDA. The First
10 Amendment to ISDA Master Agreement was an ordinary course revision, amending the
11 threshold amounts for collateral posting requirements for such transactions. The Amendment
12 Adopting, Incorporating and Amending the ISDA August 2012 DF Supplement and the
13 Amendment Adopting, Incorporating and Amending the ISDA March 2013 DF Supplement
14 added certain compliance-related representations and obligations of the parties relating to
15 regulations promulgated by the Commodity Futures Trading Commission under the federal
16 Dodd Frank Act of 2010.

17 The ISDA itself is a master trading enabling agreement that does not, standing alone,
18 represent an exchange of cash flows, goods or services; rather, individual transactions are
19 entered into under the master trading enabling agreement umbrella of the ISDA. This allows
20 the parties to integrate the multiple individual transactions of their entire swap trading
21 relationship into a single agreement, so that in the event of a business failure of the
22 counterparty, the agreement would be required to be assumed or rejected in whole under the
23 Bankruptcy Code. This prevents the counterparty from choosing to perform only the
24 transactions that are profitable to it, while rejecting those transactions that are not profitable

1 to it. By unifying and allowing netting and setoff across the entire swap trading business
2 relationship, the ISDA is an important and useful risk mitigation tool.

3 As noted above, in the recent past, PacifiCorp has used the ISDA to enter into natural
4 gas commodity swaps with Wells Fargo to hedge/mitigate against potential significant
5 increases in natural gas prices. Wells Fargo is just one of many counterparties with whom
6 PacifiCorp, like the many other utilities similarly situated, can transact in financial hedge
7 products. Before transacting with Wells Fargo under the ISDA, the Company first seeks bids
8 and otherwise reviews the applicable markets and available counterparties to determine the
9 desirability of the proposed transaction with Wells Fargo. This review includes confirming
10 that potential counterparties are approved from a credit standpoint. Once the parties agree
11 to a transaction, a Confirmation is executed under the ISDA; the Confirmation sets forth the
12 terms and prices of the transaction. Individual transactions are competitively priced.

13 The number of annual transactions under the ISDA varies. Under the ISDA,
14 PacifiCorp to date has entered into transactions with Wells Fargo within short time frames.
15 Filing for approval of individual transactions under the ISDA would be cumbersome and
16 inefficient. Additionally, filing notice of individual transactions may result in lost
17 opportunities for customers because a counterparty that would otherwise be available for
18 hedging the Company's risks would be unavailable. The Company respectfully requests a
19 waiver of filing for approval for individual transactions. To ensure adequate Commission
20 review, the Company will continue to report these transactions in its annual affiliate interest
21 report. OAR 860-027-0043 allows for waiver of the filing requirements for individual
22 transactions or classes of transactions.

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

2 The amount the Company will spend annually for transactions under the ISDA varies,
3 depending upon the terms of the individual transactions entered into under the ISDA.
4 Depending on the structure of a transaction and the performance of the hedge, PacifiCorp
5 could either be paying Wells Fargo, or Wells Fargo could be paying PacifiCorp.

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

8 The use of the ISDA represents a valuable risk management tool for the Company to
9 use in managing natural gas purchases for generation plants. Hedges enable the Company to
10 predict and budget the costs of those operations that it hedges. Without hedging, it is
11 speculating on those prices, with revenues and budgets varying based on those prices as
12 opposed to the performance of the company and its assets. Commodity hedges enable
13 companies to make their money based on their businesses, as opposed to the prices of their
14 raw materials. For PacifiCorp, natural gas hedging means that its customers have less
15 exposure to the volatility of natural gas market price changes. Financial hedging products
16 such as those offered by Wells Fargo allow a utility to hedge against and mitigate price
17 volatility in the natural gas market.

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

19 As described above in Section II.G, the ISDA operates as a master agreement that
20 generally allows the Company to conduct business with Wells Fargo if so chosen. Before
21 transacting with Wells Fargo under the ISDA, the Company first seeks bids or otherwise
22 reviews the applicable markets to determine whether the Wells Fargo pricing is competitive
23 and the terms and conditions of the transaction are favorable. This review includes
24 evaluating the creditworthiness of the counterparties, because if the counterparty does not

1 perform, the hedging transaction will fail and PacifiCorp's customers will not have been
2 protected.

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

4 Transactions under the ISDA are generally priced at the then-current market prices
5 for such financial hedge products.

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

7 Included with this Application as Attachment A is a copy of the International Swap
8 Dealers Association Master Agreement, the First Amendment to ISDA Master Agreement,
9 the Amendment Adopting, Incorporating and Amending the ISDA August 2012 DF
10 Supplement and the Amendment Adopting, Incorporating and Amending the ISDA March
11 2013 DF Supplement between PacifiCorp and Wells Fargo Bank, N.A. This attachment
12 contains commercially-sensitive information, and PacifiCorp is required by the terms of the
13 ISDA to keep it confidential. The ISDA is provided as confidential in accordance with OAR
14 860-01-0070.

15 **M. Copy of Board Resolutions**

16 The Agreement with Wells Fargo did not require a resolution from PacifiCorp's
17 Board of Directors.

18 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that
19 the Commission issue an order authorizing PacifiCorp to conduct business with Wells Fargo
20 Bank, N.A. under the provisions of ORS 757.495 and OAR 860-027-0040.

21 DATED: August 14, 2014.

Respectfully submitted,



Michelle R. Mishoe, #07242

Senior Counsel
Pacific Power

CONFIDENTIAL

ATTACHMENT A

International Swap Dealers Association
Master Agreement and Amendments