

ORDER NO. 11 400

ENTERED OCT 06 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 316

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application Requesting Approval of Affiliated
Interest Transaction.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

PacifiCorp filed this application on September 1, 2011, under ORS 757.495(1), ORS 757.480, OAR 860-027-0040, and OAR 860-027-0025. PacifiCorp is an indirect, wholly-owned subsidiary of MidAmerican Energy Holdings Company (MEHC). "Affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by any corporation or person owning five percent of the voting securities of a public utility or in any successive chain of ownership of a public utility. The Staff Report, attached as Appendix A and incorporated by reference, describes the affiliations and the transaction.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on October 4, 2011, the Commission adopted Staff's recommendation with the conditions in the Staff Report.

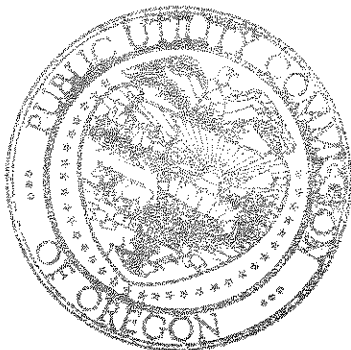
ORDER

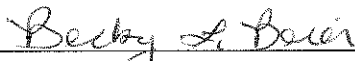
IT IS ORDERED that the application of PacifiCorp, dba Pacific Power, to enter into an Intercompany Mutual Assistance Agreement, an affiliated interest transaction with MidAmerican Energy Company (MEC), Kern River Gas Transportation Company (Kern), and Northern Natural Gas Company (NNG), affiliated interests, is approved subject to the following conditions:

1. PacifiCorp shall provide the Commission access to all books of account as well as all documents, data, and records that pertain to any transactions involving MEC, Kern, and NNG.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of these transactions in any rate proceedings or alternative form of regulation.
3. PacifiCorp shall notify the Commission in advance of any substantive changes to the Agreement, including any material change in price. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
4. PacifiCorp shall report to the Commission, as part of its annual affiliated interest report, all transactions entered into under the affiliated interest agreements with MEC, Kern, and NNG.

Made, entered, and effective OCT 06 2011

BY THE COMMISSION:




Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 4, 2011

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: September 8, 2011

TO: Public Utility Commission

FROM: Brian Bahr ^{BB}

THROUGH: ^{lis} Lee Sparling, ^H Marc Hellman, and Michael Dougherty

SUBJECT: PACIFICORP: (Docket No. UI 316) Requests approval of an Affiliated Interest Transaction with MidAmerican Energy Company, Kern River Gas Transportation Company, and Northern Natural Gas Company; and approval of property transfers.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve PacifiCorp's (PacifiCorp or Company) application for approval of the Intercompany Mutual Assistance Agreement (Agreement), an affiliated interest transaction with MidAmerican Energy Company (MEC), Kern River Gas Transportation Company (Kern), and Northern Natural Gas Company (NNG) (all four entities collectively referred to as Parties or individually as a Party), affiliated interests, subject to the following conditions:

1. PacifiCorp shall provide the Commission access to all books of account as well as all documents, data, and records that pertain to any transactions involving MEC, Kern, and NNG.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of these transactions in any rate proceedings or alternative form of regulation.
3. PacifiCorp shall notify the Commission in advance of any substantive changes to the Agreement, including any material change in price. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

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4. PacifiCorp shall report to the Commission, as part of its annual affiliated interest report, all transactions entered into under the affiliated interest agreements with MEC, Kern, and NNG.

DISCUSSION:

PacifiCorp filed this application on September 1, 2011, pursuant to ORS 757.495(1), ORS 757.480, OAR 860-027-0040, and OAR 860-027-0025. PacifiCorp is an indirect, wholly-owned subsidiary of MidAmerican Energy Holdings Company (MEHC). MEC, Kern, and NNG are also all indirect, wholly-owned subsidiaries of MEHC. "Affiliated interest," as defined in ORS 757.015(3), includes every corporation five percent or more of whose voting securities are owned by any corporation or person owning five percent of the voting securities of a public utility or in any successive chain of ownership of a public utility. MEHC's ownership interest in PacifiCorp, MEC, Kern, and NNG creates an affiliated interest.

MEC provides retail electric and natural gas services in Iowa, South Dakota, and Illinois. Kern operates a natural gas pipeline extending through Wyoming, Utah, Nevada, and California. NNG operates an interstate natural gas pipeline primarily delivering natural gas in the Midwest. PacifiCorp provides retail electricity service in Oregon, Washington, California, Utah, Idaho, and Wyoming. The Parties are subject to regulation either by state public utility regulatory commissions or the Federal Energy Regulatory Commission.

In emergency situations, PacifiCorp occasionally seeks outside assistance from neighboring or regional utilities in order to quickly and effectively respond to the situation. MEC, Kern, and NNG also occasionally experience emergencies and seek outside assistance from neighboring or regional utilities. The Parties determined they may also benefit from being able to rely on each other during emergency situations; to that end, the Agreement was developed. With this application, PacifiCorp seeks Commission approval of the Agreement and authority to dispose of property pursuant to the Agreement.

PacifiCorp anticipates primarily being able to provide assistance under the Agreement by sharing labor or other services. However, in some instances, PacifiCorp may be able to provide surplus inventory. ORS 757.480(1)(a) requires utilities to seek approval of disposals of property necessary or useful in the performance of public duties with a market value in excess of \$100,000. ORS 757.480(2) requires utilities to provide notice to the Commission within 60 days of disposals of property necessary or useful in the

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performance of public duties with a market value in excess of \$25,000 but less than \$100,000.

Although PacifiCorp anticipates doing so in only rare circumstances, as stated above, PacifiCorp seeks with this application, approval of the Agreement and authority to dispose of property pursuant to the Agreement. All property disposals would be reviewed by Staff in PacifiCorp's Annual Affiliated Interest Report submitted to the Commission.

Issues

Staff investigated the following issues:

1. Terms and Conditions of the Agreement
2. Transfer Pricing
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Terms and Conditions of the Agreement

Staff did not observe any unusual terms or conditions in the Agreement. It appears similar in structure to the Intercompany Administrative Services Agreement (IASA) used by MEHC and its subsidiaries to share administrative services and approved by the Commission in Order No. 06-305. Under the Agreement, any of the Parties needing assistance may request it of another Party. The other Parties may choose whether or not to provide the requested assistance.

In working with other utilities for which mutual assistance agreements are already in place, PacifiCorp typically only provides labor or other services, and only to the extent that providing such assistance will not impair the Company's own operations. PacifiCorp may occasionally provide goods, although only if there is surplus inventory and the provision of goods will not impair the Company's own operations.

All aspects of providing assistance will be governed by the Edison Electric Institute Mutual Aid Agreement, the Western Region Mutual Assistance Agreement, or other such agreements that may be customarily used in the region where the assistance is being provided, except for the reimbursement of costs. Reimbursement of costs will be governed by Article 4 of the Agreement, which generally provides that goods will be reimbursed at the replacement cost and services will be reimbursed as a direct charge, service charge, or allocation as applicable pursuant to the IASA.

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Transfer Pricing

The Company seeks approval of the transfer of goods that may occur if providing assistance to Parties of the Agreement. The Agreement is one among a suite of mutual assistance agreements that the Company has in place to be able to enlist assistance in emergency situations. For emergency situations, the Company is typically able to give or receive assistance from other utilities within hours of receiving or issuing a request for assistance.

On the rare occasion that PacifiCorp anticipates providing assistance under the Agreement, the Company would likely provide labor or other services. However, PacifiCorp may also provide goods such as cable, wire, poles, etc., if surplus inventory is available. The market value of such goods typically does not meet the minimum \$25,000 value threshold for required filings for property dispositions, and the Company anticipates providing assistance to the Parties in the form of assets that will trigger the statutory filing requirements for prior approval of disposal of property to be a rare occurrence.

Service charges will be charged directly, and the transfer of goods will be priced at replacement cost. As it is anticipated that such transactions under the Agreement will be rare, no estimates have been made.

Public Interest Compliance

The Agreement is in the public interest (customarily a no harm standard applied by the Commission) as the transactions under the Agreement will not harm customers. In emergency situations, if necessary, PacifiCorp will be able to seek assistance from the Parties in order to ensure customers continue to receive safe and reliable electricity service. PacifiCorp intends to continue its practice of relying on utilities nearest the event triggering the need for assistance. However, there may be situations in which it would be reasonable to rely on one or more of the Parties. PacifiCorp only intends to provide assistance under the Agreement to the extent doing so will only involve surplus resources and will not impair operations.

Records Availability, Audit Provisions, and Reporting Requirements

Order Conditions numbers 1 and 4, listed above in the Staff recommendations, afford the necessary Commission examination of PacifiCorp's records concerning the Agreement with MEC, Kern, and NNG.

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Based on the review of this application, Staff concludes the following:

1. The application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of proposed ordering conditions.
2. Necessary records are available.

PROPOSED COMMISSION MOTION:

PacifiCorp's application for approval of the Agreement, an affiliated interest transaction with MEC, Kern, and NNG, be approved subject to the four recommended conditions.

UI 316