



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

November 2, 2006

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

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins
Administrator, Regulatory Operations

Re: Docket No. UI-____
In the Matter of the Application of PACIFICORP Requesting Approval to
Purchase Firm Transportation Service from Kern River Gas Transmission
Company

PacifiCorp hereby submits for electronic filing an Application for Expedited Treatment Requested in the above reference case. A signed original and five (5) copies will be provided via overnight delivery.

Pursuant to ORS 757.495 and OAR 860-027-0040, PacifiCorp requests expedited approval from the Oregon Public Utility Commission of a proposed Firm Transportation Service Agreement between PacifiCorp and Kern River gas Transmission.

It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

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

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

By fax: (503) 813-6060

Informal questions should be directed to Laura Beane at (503)-813-5542.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosure



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Andrea L. Kelly
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI _____

In the Matter of the Application of)	APPLICATION OF
PACIFICORP Requesting Approval to)	PACIFICORP
Purchase Firm Transportation Service)	
From Kern River Gas Transmission)	EXPEDITED TREATMENT
Company)	REQUESTED

Pursuant to ORS 757.495 and OAR 860-027-0040, PacifiCorp requests expedited approval from the Oregon Public Utility Commission (the "Commission") of a proposed Firm Transportation Service Agreement between PacifiCorp and Kern River Gas Transmission Company ("Kern"). The parties executed a Letter Agreement dated October 30, 2006, pursuant to which Kern and PacifiCorp intend to execute a Firm Transportation Service Agreement in the form attached as Exhibit "I" to the Letter Agreement following receipt of required regulatory approvals. Kern and PacifiCorp are both subsidiaries of MidAmerican Energy Holdings Company ("MEHC") and therefore PacifiCorp's relationship with Kern would establish an "affiliated interest," as defined in ORS 757.015(3). Under OAR 860-027-0040(3)(b) this type of service provided pursuant to a filed and approved Federal Energy Regulatory Commission ("FERC") rate schedule would generally not require Commission approval; however, PacifiCorp and MEHC agreed to a different affiliate transaction standard as part of PacifiCorp's acquisition by MEHC. In Commission Order No. 06-121 granting approval of the acquisition of PacifiCorp by MEHC, the Commission adopted Commitment No. O3 which provides as follows:

MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes Sections 757.015 and 757.495 to require Commission approval of any contract between PacifiCorp and (i) any affiliate of MEHC or (ii) any affiliate of Berkshire Hathaway. This shall include the IASA. MEHC and PacifiCorp intend that by obtaining Commission approval of the IASA, PacifiCorp will avoid the need to seek individual

approval of affiliate transactions which are subject to that agreement. The IASA is expected to address the provision of electric service to affiliates of MEHC or Berkshire Hathaway under tariff approved by state or federal authorities.

Therefore, PacifiCorp is making this affiliate application consistent with Oregon Commitment O3. PacifiCorp respectfully requests expedited consideration of this application and requests Commission action by January 5, 2007.

I. Background

Kern is a general partnership, which is a wholly-owned subsidiary of MEHC. Kern is a natural gas pipeline company which owns and operates the Kern River pipeline system, which is a vital artery transporting natural gas to California, Nevada and Utah. Under the terms of the Letter Agreement, Kern and PacifiCorp intend to execute a Firm Transportation Service Agreement in the form attached as Exhibit "I" to the Letter Agreement following receipt of required regulatory approvals.

With this Application, PacifiCorp requests Commission authorization to engage in business transactions with Kern as described herein.

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

A. Address

The applicant's exact name and address are:

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

B. Communications and Notices

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

Laura Beane
Manager, Regulation
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Tel. (503) 813-5542

Natalie L. Hocken
Assistant General Counsel
PacifiCorp
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-7205

Fax (503) 813-6060
laura.beane@pacificorp.com

Fax (503) 813-7252
natalie.hocken@pacificorp.com

In addition, 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, Suite 2000
Portland, OR 97232

By facsimile

(503) 813-6060

Informal inquires may also be directed to Laura Beane, Manager, Regulation at (503) 813-5542.

C. Relationship Between PacifiCorp and Kern River Gas Transmission Company

PacifiCorp and Kern are both indirect, wholly-owned subsidiaries of MEHC.

Accordingly, Kern is an “affiliated interest” of PacifiCorp as defined in ORS 757.015(3).

D. Voting Securities

PacifiCorp and Kern do not own voting stock in each other.

E. Common Officers and Directors

PacifiCorp and Kern do not share any common officers. Gregory E. Abel, Douglas L. Anderson and Patrick J. Goodman serve as executive committee members of Kern and directors of PacifiCorp.

F. Pecuniary Interest

No officer or director of either Kern or PacifiCorp is a party to or has a pecuniary interest in the contemplated business transactions between Kern and PacifiCorp.

G. Description of Goods and Services Provided

Under the terms of the Firm Transportation Service Agreement, PacifiCorp will purchase natural gas transportation from Kern with a contract demand of 91,000 Dth per day, for an initial term of 30 years commencing on February 1, 2007. PacifiCorp will take transportation service under the terms of Kern's Rate Schedule KRF-1 as filed with the FERC. The Firm Transportation Service Agreement will be subject to the provisions of Kern's Rate Schedule KRF-1 and the General Transportation Terms and Conditions applicable thereto and on file with the FERC. PacifiCorp's rates for transportation service will be in accordance with the negotiated rates set forth in Exhibit B to the Firm Transportation Service Agreement which Kern will submit to the FERC for review prior to service commencement. A copy of the Letter Agreement and the unexecuted Firm Transportation Service Agreement is attached to this Application as Exhibit A.

H. Estimate of Amount PacifiCorp will Pay Annually for Services

Under the terms of the Firm Service Transportation Agreement (*See* Exhibit "B" to the Firm Transportation Service Agreement), PacifiCorp will pay Kern a daily reservation/demand charge on a total quantity of 91,000 Dth per day as set forth below: For all quantities not scheduled, up to 91,000 Dth per day, PacifiCorp will pay Kern a discounted firm daily reservation/demand rate of \$0.09 per Dth for the entire term of the agreement. PacifiCorp will pay Kern a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement for scheduled quantities from the Goshen receipt point to the Lake Side or West Valley delivery points. PacifiCorp will pay Kern a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement for scheduled quantities from the Goshen receipt point to all delivery points north of the Goshen receipt point from February 1, 2007 through January 31, 2008. For scheduled quantities from the

Goshen receipt point to delivery points north of the Goshen receipt point and south of the Coyote Creek compressor station, other than the Lake Side and West Valley delivery points, PacifiCorp will pay Kern a discounted firm daily reservation/demand backhaul rate of \$0.12 per Dth from February 1, 2008 through January 31, 2037. For scheduled quantities from the Goshen receipt point to all delivery points north of the Coyote Creek compressor station, PacifiCorp will pay Kern's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental service related to Kern's 2003 Expansion Project (on file with FERC) at the time service is rendered, or a discounted firm daily reservation/demand backhaul rate mutually agreed to by Kern and PacifiCorp for the period February 1, 2008 through January 31, 2037. The Commodity/Usage Rate for all capacity scheduled by PacifiCorp or any replacement shipper shall be the lesser of \$0.005 per Dth or the maximum rate under the KRF-1 Rate Schedule for firm incremental rate service at the time service is rendered, plus all applicable surcharges, for the entire term of the agreement. Charges for other transportation paths or for quantities in excess of PacifiCorp's Daily Maximum Delivery Quantity shall be as provided for in the calculation set forth on Page 7 of the Firm Transportation Service Agreement.

PacifiCorp estimates its annual charges for services will be \$2,989,350. PacifiCorp will record all charges related to this Agreement to FERC Account 547, Fuel – Other Power Generation.

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

In order to transport natural gas to its Lake Side facility, PacifiCorp is procuring the natural gas transportation service from Kern. The service is being procured at a discounted rate and is the least cost option available to PacifiCorp which will benefit PacifiCorp's customers. This transportation service will help assure that the Lake Side plant will not be made unavailable

for load-serving generation due to a lack of firm transportation service. The alternative delivery point of West Valley may also contribute to a reduction of electricity costs associated with that plant as PacifiCorp currently utilizes a \$0.12/MMBtu Kern transportation contract to fuel West Valley.

J. Description of the Procurement Process and Why No Competitive Bid Was Utilized

Natural gas transportation service is a federally regulated product offered pursuant to terms and conditions approved by the FERC. Procurement of transportation service is not conducive to a competitive bidding process. However, alternatives to this transportation service were considered, but found to be more expensive, less reliable, and/or less flexible.

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

As described above, this transportation service is being offered pursuant to the terms and conditions of Kern's FERC tariff and Kern will submit the Firm Transportation Service Agreement in accordance with the FERC's Policy Statement on Alternatives to Traditional Cost-of-Service Ratemaking containing the negotiated rates reflected on Exhibit B to the FERC for prior review. Kern will be providing the services at a discounted tariff rate.

L. Agreement Between Kern and PacifiCorp

The executed Letter Agreement and the unexecuted Firm Transportation Service Agreement are attached as Exhibit A to this Application.

M. Copy of Board Resolutions

Authorization to do business with Kern does not require approval of PacifiCorp's Board of Directors.

WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that the Commission issue an order authorizing PacifiCorp to do business with Kern River Gas

Transmission Company pursuant to the provisions of ORS 757.495, OAR 860-027-0040 and
Order No. 06-121.

DATED: October 31, 2006

Respectfully submitted,

/s/ Natalie L. Hocken p. r.

Natalie L. Hocken
Assistant General Counsel
PacifiCorp
825 N.E. Multnomah St., Suite 1800
Portland OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7252
email: natalie.hocken@pacificorp.com

EXHIBIT A



William J. Fehrman
1407 West North Temple, Room 320
Salt Lake City, UT 84116
Direct Dial: (801) 220-4209
Fax: (801) 220 4615

October 30, 2006

Mr. John Smith
Vice President of Marketing and Regulatory Affairs
Kern River Gas Transmission Company
2755 East Cottonwood Parkway, Suite 300
PO Box 71400
Salt Lake City, UT 84171-0400



RE: Letter Agreement relating to Firm Transportation Service Agreement Contract No. ____, by and between Kern River Gas Transmission Company ("Kern") and PacifiCorp, to be finalized as described below (the "TSA")

Dear Mr. Smith:

In connection with the regulatory approval process related to the TSA described above, this letter will memorialize the agreement between Kern and PacifiCorp that they intend to, and will, execute the TSA in the form, or substantially in the form, of attached as Exhibit I, immediately after all required state or federal regulatory approvals or consents relating thereto (and acceptable to PacifiCorp) are obtained, including without limitation, that of the Oregon Public Utility Commission. PacifiCorp shall use best efforts to obtain all such approvals or consents by no later than January 19, 2007. If all such approvals or consents have not been obtained by January 19, 2007, then Kern River may elect to terminate this letter agreement.

Please acknowledge and accept this agreement by signing below and returning one original to me, and do not hesitate to contact us with any questions or comments.

Very truly yours,


William J. Fehrman 
President, PacifiCorp Energy

John Smith
RE: Kern River TSA
October 30, 2006
Page 2

ACKNOWLEDGED AND AGREED:

Kern River Gas Transmission Company

By: J.R. Smith
John Smith
Vice President of Marketing and Regulatory Affairs

EXHIBIT I
FIRM TRANSPORTATION SERVICE AGREEMENT
CONTRACT NO. <contract_nbr>

THIS AGREEMENT is made and entered into this <execution_date_formal> by and between **KERN RIVER GAS TRANSMISSION COMPANY**, a Texas general partnership, hereinafter called "Transporter," and **PACIFICORP** a Corporation incorporated/formed under the laws of the State of Oregon hereinafter called "Shipper".

WHEREAS, Shipper has acquired or intends to acquire a supply of Natural Gas which can be delivered to Transporter's pipeline system and redelivered by Transporter to Shipper or for Shipper's account at Delivery Points on Transporter's system;

WHEREAS, Shipper desires Transportation service from Transporter in accordance with Transporter's Rate Schedule KRF-1, for firm incremental rate service related to the 2003 Expansion Project, on file with the FERC, as amended from time to time; and

WHEREAS, Transporter is willing to render such Transportation service.

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

- 1.1 Subject to the terms, conditions and limitations hereof, Transporter agrees to receive, on a firm basis, from Shipper for Transportation at the Receipt Point(s) specified in Exhibit "A" hereto, as amended from time to time, and to transport and deliver Thermally Equivalent Quantities to Shipper at the Delivery Point(s) specified in Exhibit "A" hereto, as amended from time to time, Quantities of Natural Gas, exclusive of Quantities required for fuel used and lost and unaccounted-for Gas, up to Shipper's TMDQ, which is 91,000 Dth per day. Shipper's DMDQ is equal to Shipper's TMDQ.
- 1.2 Shipper will reimburse Transporter for fuel used and lost and unaccounted-for Gas on an in-kind basis at the factors applicable to incremental rate service related to the 2003 Expansion Project, pursuant to the General Terms and Conditions of Transporter's tariff as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time.

ARTICLE II - APPLICABLE RATE SCHEDULE

- 2.1 Shipper agrees to pay Transporter for all Natural Gas Transportation service rendered under the terms of this Agreement in accordance with Transporter's Rate Schedule KRF-1, as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time. This Agreement will be subject to the provisions of such Rate Schedule and the General Transportation Terms and Conditions applicable thereto on file with the FERC and as amended from time to time, which by this reference are incorporated herein and made a part hereof.
- 2.2 Shipper's rates for Transportation service shall be in accordance with the rates set forth in Exhibit B. In accordance with the Federal Energy Regulatory Commission's Policy Statement on Alternatives to Traditional Cost-of-Service Ratemaking, Transporter will submit the negotiated rates reflected on Exhibit "B" to the Commission for review prior to flowing gas under this Agreement. If the Commission disallows the negotiated rates, Shipper's rates for Transportation service shall be in accordance with the rates set forth in Alternate Exhibit "B."
- 2.3 Notwithstanding Section 5.5 of the General Terms and Conditions, and subject to any negotiated credit, Shipper will make payment of the Monthly Reservation Charge pursuant hereto in full irrespective of (but without prejudice to the rights otherwise of Shipper with respect to) any dispute relative to the amount invoiced, and will not be entitled to any abatement of such payment or any set-off against it, including but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity, whether in connection herewith or any unrelated transaction.

ARTICLE III - TERM OF AGREEMENT

- 3.1 This Agreement will become effective on February 1, 2007 and will remain in full force and effect through January 31, 2037.

ARTICLE IV - NOTICES

- 4.1 Any notice called for in this Agreement will be given in writing and will be considered as having been given if delivered personally, by confirmed facsimile or by mail with all postage and charges prepaid to either Shipper or Transporter at the place designated. Routine communications will be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone, electronic media or confirmed facsimile. Unless changed, the addresses of the parties are as follows:

Transporter:
KERN RIVER GAS TRANSMISSION COMPANY
Attention: MARKETING & CUSTOMER SERVICES
2755 E. Cottonwood Parkway S-300
Salt Lake City UT 84121
Facsimile: (801) 937-6444

Shipper Notices:
PACIFICORP
Attention: Contract Administration
825 NE Multnomah, Suite 600
Portland, Oregon 97232
Facsimile: (503) 813-6260

Shipper Invoices:
PACIFICORP
Attention: C&T Back Office
825 NE Multnomah, Suite 700
Portland, Oregon 97232
Facsimile: (503) 813-6260

ARTICLE V - SUCCESSORS AND ASSIGNS

- 5.1 This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder will be made without the written consent of the other party. Such consent will not be unreasonably withheld. No such consent of Transporter or Shipper will be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained herein will prevent either party from pledging, mortgaging or assigning its rights hereunder as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement. As between the parties hereto, such assignment will become effective on the first day of the month following written notice that such assignment has been effectuated. Upon request of either party, the other party will acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce this Agreement against such other party, and will also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, this Agreement and any other matters relevant thereto. No permitted assignment will relieve the assigning party from any of its obligations under this Agreement. Shipper hereby confirms that the rights of Transporter under the Agreement that may be assigned include any right given or reserved to Transporter in the Agreement to consent to any assignment or transfer by Shipper of its rights and obligations thereunder.

ARTICLE VI - GOVERNMENTAL BODIES

- 6.1 Notwithstanding any other provision hereof, this Agreement will be subject to all laws, statutes, ordinances, regulations, rules and court decisions of governmental entities now or hereafter having jurisdiction.

ARTICLE VII - MISCELLANEOUS PROVISIONS

- 7.1 This Agreement will be amended only by an instrument in writing executed by both parties hereto.
- 7.2 No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement will operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.
- 7.3 No liability for any act or omission of Transporter will be incurred by, or asserted against, any person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter will be against Transporter only.
- 7.4 The headings of the Articles of this Agreement are inserted for convenience of reference only and will not affect the meaning or construction thereof.
- 7.5 This Agreement will be construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

<signatory_block>

EXHIBIT "A"
TO FIRM TRANSPORTATION SERVICE AGREEMENT
DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP
AND
KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day – 1/

<u>Receipt Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Receipt Point Entitlements</u>	<u>Receipt Pressure (psig) – 2/</u>
Goshen	014010	Physical	91,000 Dth/d	1200

<u>Delivery Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Delivery Point Entitlements</u>	<u>Delivery Pressure (psig) – 3/</u>
Lake Side	024032	Physical	91,000 Dth/d	650

1/ The Receipt Point Entitlements and Delivery Point Entitlements specified on this Exhibit "A" must each be equal to (1) Shipper's DMDQ, if this is an original Exhibit "A" or (2) the Receipt and Delivery Point Entitlements set forth on the original Exhibit "A" to the agreement, if this is an amended Exhibit "A".

2/ The minimum pressure at which Shipper will be obligated to cause Gas to be delivered to Transporter for Shipper's account at the Receipt Point (s).

3/ The maximum pressure at which Transporter will be obligated to deliver Gas for Shipper's account at the Delivery Point (s).

EXHIBIT "B"

TO FIRM TRANSPORTATION SERVICE AGREEMENT

DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP

AND

KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day

EFFECTIVE: February 1, 2007

NEGOTIATED RATES

Reservation/Demand Charges:

Shipper will pay Transporter daily reservation/demand charges on a total quantity of 91,000 Dth per day, determined as follows:

1. For all quantities not scheduled, up to 91,000 Dth per day, Shipper will pay Transporter a discounted firm daily reservation/demand rate of \$0.09 per Dth for the entire term of the agreement.
2. For scheduled quantities from the Goshen receipt point to the Lake Side or West Valley delivery points, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement.
3. For scheduled quantities from the Goshen receipt point to all delivery points north of the Goshen receipt point from February 1, 2007 through January 31, 2008, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth.
4. For scheduled quantities from the Goshen receipt point to delivery points north of the Goshen receipt point and south of the Coyote Creek compressor station, other than the Lake Side and West Valley delivery points, from February 1, 2008 through January 31, 2037, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.12 per Dth.
5. For scheduled quantities from the Goshen receipt point to all delivery points north of the Coyote Creek compressor station from February 1, 2008 through January 31, 2037, Shipper

will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered, or a discounted firm daily reservation/demand backhaul rate mutually agreed to by Transporter and Shipper.

Commodity/Usage Charges:

The Commodity/Usage Rate for all capacity scheduled by Shipper or any replacement Shipper pursuant to paragraphs (2) through (5) above shall be the lesser of \$0.005 per Dth or the maximum rate under the KRF-1 Rate Schedule for firm incremental rate service at the time service is rendered, plus all applicable surcharges, for the entire term of the agreement.

Transportation Charges for All Other Transportation Paths and for Authorized Overrun

For all other scheduled quantities, including quantities in excess of Shipper's DMDQ, Shipper will pay Transporter a Total Rate that is calculated as follows:

Total Rate = Maximum Rate + Applicable Surcharges + Index Spread Adjustment

Where:

Maximum Rate = The sum of the maximum firm daily reservation/demand rate and the maximum commodity/usage rate under Rate Schedule KRF-1 for incremental rate service related to the 2003 Expansion Project

Index Spread Adjustment* = [(Others "SoCal Gas" - Rockies "Kern River, Opal Plant") - Maximum Rate] x .75

*Based on the Daily Price Survey, Flow Date Midpoint spot price reported in the Platts' Gas Daily publication for the day of scheduled transportation.

In no event will the Total Rate, less applicable surcharges, be less than the Maximum Rate described above. The parties understand and agree that Transporter may change its rates and/or surcharges from time to time in accordance with the Natural Gas Act.

ALTERNATE EXHIBIT "B"
TO FIRM TRANSPORTATION SERVICE AGREEMENT

DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP
AND
KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day

EFFECTIVE: February 1, 2007

DISCOUNTED RATES

Reservation/Demand Charges:

Shipper will pay Transporter daily reservation/demand charges on a total quantity of 91,000 Dth per day, determined as follows:

1. For all quantities not scheduled, up to 91,000 Dth per day, Shipper will pay Transporter a discounted firm daily reservation/demand rate of \$0.09 per Dth for the entire term of the agreement.
2. For scheduled quantities from the Goshen receipt point to the Lake Side or West Valley delivery points, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement.
3. For scheduled quantities from the Goshen receipt point to all delivery points north of the Goshen receipt point from February 1, 2007 through January 31, 2008, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth.
4. For scheduled quantities from the Goshen receipt point to delivery points north of the Goshen receipt point and south of the Coyote Creek compressor station, other than the Lake Side and West Valley delivery points, from February 1, 2008 through January 31, 2037, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.12 per Dth.

5. For scheduled quantities from the Goshen receipt point to all delivery points north of the Coyote Creek compressor station from February 1, 2008 through January 31, 2037, Shipper will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered, or a discounted firm daily reservation/demand backhaul rate mutually agreed to by Transporter and Shipper.
6. For all other scheduled quantities, except Authorized Overrun, Shipper will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered for the entire term of the agreement.

Commodity/Usage Charges:

The Commodity/Usage Rate for all capacity scheduled by Shipper or any replacement Shipper pursuant to paragraphs (2) through (6) above shall be the lesser of \$0.005 per Dth or the maximum rate under the KRF-1 Rate Schedule for firm incremental rate service at the time service is rendered, plus all applicable surcharges, for the entire term of the agreement.

Authorized Overrun Charges:

For all scheduled quantities in excess of 91,000 Dth per day, Shipper will pay Transporter the maximum authorized overrun rate at the time service is rendered, plus all applicable surcharges.