



Pacific Power | Utah Power
Rocky Mountain Power
825 NE Multnomah
Portland, Oregon 97232

October 8, 2009

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

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

Attention: Filing Center

**RE: Application of PacifiCorp Requesting Approval of an Affiliate Interest Agreement
with Kern River Gas Transmission Company.**

Enclosed for filing by PacifiCorp dba, Pacific Power ("PacifiCorp") is PacifiCorp's Application Requesting Approval of an Affiliate Interest Agreement with Kern River Gas Transmission Company. An original and three copies will be provided via overnight delivery.


The company respectfully requests that all formal correspondence and 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

Please direct informal questions with respect to this filing to Joelle Steward at 503-813-5542.

Very truly yours,


Andrea L. Kelly
Vice President, Regulation

Enclosures

Cc: Service List UI-255

CERTIFICATE OF SERVICE


I hereby certify that on this 8th of October 2009, I caused to be served, via E-Mail and overnight delivery (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

SERVICE LIST

UI-255

Natalie Hocken
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
natalie.hocken@pacificorp.com

Joelle Steward
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
Joelle.Steward@pacificorp.com



Carrie Meyer
Coordinator, Administrative Services

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 255 (2)

In the Matter of the Application of
PACIFICORP, d.b.a. Pacific Power,
Requesting Approval of an Affiliate Interest
Agreement with Kern River Gas
Transmission Company

**APPLICATION OF PACIFICORP AND
WAIVER OF PAPER SERVICE**

1 Pursuant to ORS 757.495(1) and OAR 860-027-0040, PacifiCorp, d.b.a Pacific
2 Power (“Company”) requests approval from the Public Utility Commission of Oregon
3 (“Commission”) of the Restated Firm Transportation Service Agreement, Contract No.
4 1612 (“Restated Agreement”) between PacifiCorp and Kern River Gas Transmission
5 Company (“Kern River”), a copy of which is Attachment A to this application. The
6 Company filed the original contract on November 2, 2006, which the Commission
7 approved on December 26, 2006.¹ Under OAR 860-027-0040(3)(b), this type of service
8 provided pursuant to a filed and approved Federal Energy Regulatory Commission
9 (“FERC”) rate schedule would generally not require Commission approval. However, the
10 Company and MidAmerican Energy Holdings Company (“MEHC”) agreed to a different
11 affiliated interest transaction standard as part of the Company’s acquisition by MEHC. In
12 Order No. 06-121 granting approval of the acquisition of the Company by MEHC, the
13 Commission approved Commitment No. O3 in a stipulated settlement agreement, which
14 provides in relevant part as follows:

15 MEHC and PacifiCorp commit that they will interpret Oregon Revised Statutes
16 Sections 757.015 and 757.495 to require Commission approval of any contract
17 between PacifiCorp and (i) any affiliate of MEHC or (ii) and affiliate of Berkshire
18 Hathaway...

¹ See Docket No. UI 255, Order No. 06-683.

1 Therefore, the Company files this affiliated interest application consistent with
2 Commitment No. O3. Additionally, the Commission issued Order No. 06-683 in this
3 docket, which approved the original Firm Transportation Service Agreement. The
4 Company respectfully requests that the Commission approve the Restated Agreement as
5 an affiliated interest agreement and allow PacifiCorp to continue to purchase services
6 pursuant to the Restated Agreement.

7 Additionally, pursuant to OAR 860-013-0070(4) the Company waives paper
8 service for this proceeding.

9 **I. Background**

10 Kern River is a general partnership and a wholly-owned subsidiary of MEHC.
11 The Company is also a wholly-owned subsidiary of MEHC. “Affiliated interest”, as
12 defined in ORS 757.015(3), includes every corporation or person in any chain of
13 successive ownership of at least 5 percent of the voting securities of a public utility.
14 MEHC’s ownership of both Kern River and the Company creates an affiliated interest.

15 Kern River recently restated the terms and conditions of its firm transportation
16 agreements to more closely conform to the terms and conditions in its FERC-approved
17 tariffs. The Restated Agreement was revised as part of this process. The pricing,
18 quantities and initial term remain the same. The Restated Agreement allows PacifiCorp to
19 purchase natural gas transportation service from Kern River with a contract demand of
20 91,000 decatherms (“Dth”) per day, for an initial term of 30 years that commenced
21 February 1, 2007. PacifiCorp takes the service under the terms of Kern River’s Rate
22 Schedule KRF-1 as filed with the FERC. The Restated Agreement continues to be subject
23 to the provisions of Kern River’s Schedule KRF-1 and the General Transportation Terms

1 and Conditions applicable thereto and on file with the FERC.

2 With this Application, the Company requests Commission authorization to
3 continue to engage in business transactions with Kern River for the duration of the
4 Restated Agreement.

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

6 **A. Address**

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

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

11 **B. Communications and Notices**

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

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

Michelle R. Mishoe
Legal Counsel
Pacific Power
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Tel. (503) 813-5977
Fax (503) 813-7252
michelle.mishoe@pacificorp.com

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

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

datarequest@pacificorp.com

25 By regular mail

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

29 Informal inquires may be directed to Joelle Steward, Regulatory Manager, at
30 (503) 813-5542.

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

2 The Company and Kern River are both indirect, wholly-owned subsidiaries of
3 MEHC. Accordingly, Kern River is an “affiliated interest” of PacifiCorp as defined in
4 ORS 757.015(3).

5 **D. Voting Securities**

6 The Company and Kern River do not own voting securities in each other.

7 **E. Common Officers and Directors**

8 The Company and Kern River do not share any officers or directors. Gregory E.
9 Abel, Douglas L. Anderson and Patrick J. Goodman serve as executive committee
10 members of Kern River and directors of PacifiCorp.

11 **F. Pecuniary Interest**

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

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

17 Under the terms of the Restated Agreement, PacifiCorp will continue to purchase
18 natural gas transportation from Kern River with a contract demand of 91,000 Dth per day,
19 for an initial term of 30 years commencing on February 1, 2007. The Company will
20 continue to take transportation service under the terms of Kern River’s Schedule KRF-1
21 as filed with the FERC. The Restated Agreement will be subject to the provisions of Kern
22 River’s Schedule KRF-1 and the General Transportation Terms and Conditions
23 applicable thereto and on file with the FERC. The Company’s rates for transportation

1 service will continue to be in accordance with the FERC-approved rates set forth in
2 Exhibit B to the Restated Agreement.

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

4 Consistent with the prior terms of the agreement approved by Order No. 06-683,
5 the Company estimates its annual charges for services will be \$2,989,350. The Company
6 will continue to record all charges related to this Restated Agreement to FERC Account
7 547, Fuel- Other Power Generation.

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

10 In order to transport natural gas to its Lake Side facility, the Company procures
11 the natural gas transportation service from Kern River. The Company procures this
12 service at a discounted rate and is the least cost option available to the Company that will
13 benefit the Company's customers. This transportation service helps assure that the Lake
14 Side facility will not be made unavailable for load-service generation due to lack of firm
15 transportation service.

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

17 Natural gas transportation service is a federally-regulated product offered
18 pursuant to terms and conditions approved by the FERC. Procurement of transportation
19 service is not conducive to a competitive bidding process. However, alternatives to this
20 transportation service were considered prior to entering into the original agreement, but
21 found to be more expensive, less reliable, and/or less flexible. The Restated Agreement
22 does not change the day-to-day operations; therefore the Company did not consider
23 alternative arrangements.

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

2 As described above, this transportation service is being offered pursuant to the
3 terms and conditions of Kern River’s FERC-approved tariff. Kern River is restating all of
4 its firm transportation agreements so that they more closely conform to the terms and
5 conditions contained in the tariff.

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

7 A copy of the Restated Agreement is included as Attachment A to this
8 Application.

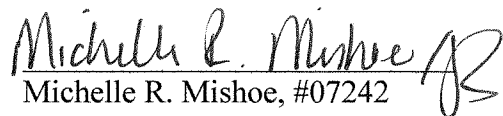
9 **M. Copy of Board Resolutions**

10 The Restated Agreement required Board approval for delegation of authority to
11 for execution of the Restated Agreement. A copy of the Delegation of Authority is
12 included as Attachment B to this Application.

13 WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests
14 that the Commission issue an order authorizing PacifiCorp to continue conducting
15 business with Kern River Gas Transmission Company, pursuant to the provisions of ORS
16 757.495 and OAR 860-027-0040.

DATED: October 8, 2009.

Respectfully submitted,


Michelle R. Mishoe, #07242
Legal Counsel
Pacific Power

ATTACHMENT A

Restated Agreement

RESTATEMENT OF
FIRM TRANSPORTATION SERVICE AGREEMENT
Rate Schedule KRF-1

CONTRACT NO. 1612

DATE OF RESTATEMENT: _____

THIS RESTATED FIRM TRANSPORTATION SERVICE AGREEMENT ("Agreement") is made and entered into as of this 18th day of January, 2007 by and between KERN RIVER GAS TRANSMISSION COMPANY ("Transporter") and PACIFICORP ("Shipper"), and supersedes all previous versions of this Agreement, if any.

WHEREAS, Transporter filed and the FERC accepted as of April 20, 2009, revisions to the form of service agreement applicable to the rate schedule under which service is provided to Shipper; and

WHEREAS, Transporter and Shipper have agreed to restate this Agreement pursuant to such form.

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties 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" and to transport and deliver Thermally Equivalent Quantities to Shipper at the Delivery Point(s) specified in Exhibit "A," Quantities of Natural Gas, exclusive of Quantities required for fuel used and lost and unaccounted-for Gas, up to Shipper's TMDQ. Shipper's TMDQ 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 FERC-approved tariff, as revised from time to time ("Transporter's Tariff"). Backhaul Shippers will reimburse Transporter for system-wide lost and unaccounted-for Gas, but will not reimburse Transporter for compressor fuel.

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 Rate Schedule KRF-1 of Transporter's Tariff. This Agreement will be subject to the provisions of such Rate Schedule and the General Terms and Conditions of Transporter's Tariff, which by this reference are incorporated herein and made a part hereof.
- 2.2 Shipper's rates for Transportation service will be in accordance with Transporter's effective Rate Schedule KRF-1 as set forth on Exhibit "B."
- 2.3 Notwithstanding Section 5.5 of the General Terms and Conditions of Transporter's Tariff, 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 SERVICE

- 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 - MISCELLANEOUS PROVISIONS

- 4.1 This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. No promises, agreements or warranties additional to this Agreement other than as may be contained in Transporter's Tariff will be deemed to be a part of this Agreement, nor will any alteration, amendment or modification be effective unless confirmed in writing by the parties.

4.2 This Agreement shall incorporate and in all respects shall be subject to the General Terms and Conditions and the applicable Rate Schedule(s) set forth in Transporter's Tariff. Transporter may file and seek approval from the FERC under Section 4 of the Natural Gas Act ("NGA") at any time and from time to time to change any rates, charges or other provisions set forth in the applicable Rate Schedule(s) and the General Terms and Conditions in Transporter's Tariff, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any change that becomes effective by operation of law and FERC order, without prejudice to Shipper's right to protest the same.

4.3 The priority of service for this Agreement shall be January 18, 2007.

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

PACIFICORP
(Shipper)

KERN RIVER GAS TRANSMISSION COMPANY
(Transporter)

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT "A"

TO RESTATED FIRM TRANSPORTATION SERVICE AGREEMENT

CONTRACT NO. 1612

BETWEEN

PACIFICORP

AND

KERN RIVER GAS TRANSMISSION COMPANY

Effective Date of this Exhibit "A": _____

From February 1, 2007 to January 31, 2037 TMDQ: 91,000 Dth 1/

<u>Receipt Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Receipt Point Entitlement</u>	<u>Receipt Pressure 2/ (psig)</u>
Goshen Rcpt - Questar Pipeline	014010	Physical	91,000	1,200

Total Receipt Point Entitlement: 91,000

<u>Delivery Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Delivery Point Entitlement</u>	<u>Delivery Pressure 3/ (psig)</u>
Lake Side - Questar Gas	024032	Physical	91,000	650

Total Delivery Point Entitlement: 91,000

1/ The Receipt Point Entitlements and Delivery Point Entitlements specified on this Exhibit "A" must each be equal to (1) Shipper's TMDQ, if this is an original Exhibit "A" or (2) the Receipt and Delivery Point Entitlement proportions 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 minimum pressure at which Transporter will be obligated to deliver Gas for Shipper's account at the Delivery Point(s).

EXHIBIT "B"

TO RESTATED FIRM TRANSPORTATION SERVICE AGREEMENT

CONTRACT NO. 1612

BETWEEN

PACIFICORP

AND

KERN RIVER GAS TRANSMISSION COMPANY

Effective Date of this Exhibit "B": _____

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 Rate:

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.

ATTACHMENT B

Board Resolution

Special Delegation of Authority
Kern River Gas Transportation Contract No. 1612

WHEREAS, PacifiCorp is purchasing natural gas transportation from Kern River Gas Transportation in a restated firm transportation service agreement totaling 91,000 MMBtu per day at a fixed demand rate of \$0.09 per MMBtu for a term and effective transaction period of 27.6 years for a nominal value of \$82,637,100. Under current PacifiCorp governance standards, such contract tenor and effective transaction period require this delegation of authority. Accordingly:

Effective upon execution, I hereby delegate to the President of PacifiCorp Energy full approval authority to execute the firm transportation service agreement and any and all documents (internal and external) necessary for and related to such purchase from Kern River Gas Transportation.

The foregoing authorization shall extend up to the amount of the nominal value approval limits noted, as such limits may be revised or modified, and shall include but are not limited to, all fund disbursements and contract signing authorizations. Any and all actions of the President of PacifiCorp Energy prior to the effective date of this Special Delegation of Authority in furtherance are hereby ratified to the extent such actions are consistent with the foregoing authorization limits.

This Special Delegation of Authority is provided as an exception to Section 2 of PacifiCorp's Corporate Governance and Approvals Process and the delegation limits stated therein.

Gregory E. Abel
PacifiCorp, Chairman and Chief Executive Officer

Date: _____, _____