



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

June 5, 2007

***VIA ELECTRONIC FILING
AND FIRST CLASS MAIL***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

RE: Application requesting approval of rail transportation agreements with Burlington Northern Santa Fe Railway Company, an affiliated interest

PacifiCorp (d.b.a. Pacific Power) hereby submits for filing an original and five copies of the Company's Application requesting approval of rail transportation agreements with Burlington Northern Santa Fe Railway Company, an affiliated interest. This application includes four exhibits, three of which are considered confidential trade secrets pursuant to ORS 192.501(2). Therefore, PacifiCorp requests confidential treatment for Exhibits A, B, and C in their entirety in accordance with OAR 860-011-0080(2). PacifiCorp submits these exhibits printed on yellow paper, separately bound and placed in an envelope bearing a mark of "Confidential" in accordance with OAR 860-011-0080(4).

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 Joelle Steward at (503)-813-5542.

Very truly yours,

Andrea L. Kelly
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

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In the Matter of the Application of)
PACIFICORP Requesting Approval of) APPLICATION OF PACIFICORP
Rail Transportation Agreements with)
Burlington Northern Santa Fe Railway)
Company, an affiliated interest)

Pursuant to ORS 757.495(1) and OAR 860-027-0040, PacifiCorp (dba Pacific Power) requests approval from the Public Utility Commission of Oregon (the "Commission") of Rail Transportation Agreements ("Agreements") entered into between PacifiCorp and Burlington Northern Santa Fe Railway Company ("BNSF") to provide transportation services (1) from various coal mines in the Wyoming Powder River Basin to PacifiCorp's David Johnston Steam Plant ("David Johnston") and (2) from various coal mines in Wyoming, New Mexico and Montana to PacifiCorp's Cholla Generating Station ("Cholla"). BNSF-C-12123, Coal Transportation Agreement by and Between PacifiCorp and The Burlington Northern and Santa Fe Railway Company, is attached hereto as Exhibit A. First Amendment to Transportation Agreement Number BNSF-C-12123 is attached hereto as Exhibit B. BNSF-C-12470, A Confidential Rail Transportation Agreement Between BNSF Railway Company and Arizona Public Service Company and PacifiCorp, is attached hereto as Exhibit C. PacifiCorp is an indirect subsidiary of Berkshire Hathaway Inc. ("Berkshire"). Berkshire owns a 10.9% interest in BNSF. Therefore, PacifiCorp's relationship with BNSF establishes an "affiliated interest," as defined in ORS 757.015(3).

Under OAR 860-027-0040(3)(b) the type of services provided pursuant to a contract filed and approved by the Surface Transportation Board ("STB") based on rate schedules would

generally not require Commission approval; however, PacifiCorp and MidAmerican Energy Holdings Company (“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. Because these Agreements existed prior to MEHC’s acquisition of PacifiCorp and prior to Berkshire’s acquisition of 10.9 percent share of BNSF, PacifiCorp respectfully requests that the Commission approve the Agreements as affiliated interest agreements and allow PacifiCorp to continue purchasing services pursuant to the Agreements.

I. Background

Pacific Power does business in the states of Oregon, Washington and California as a division of PacifiCorp. PacifiCorp is a wholly-owned direct subsidiary of MEHC. MEHC is a wholly-owned direct subsidiary of Berkshire. BNSF is a Delaware corporation, providing railroad transportation services throughout the United States. On April 4 and 5, 2007, Berkshire purchased 1.6 million shares of BNSF stock to increase Berkshire’s ownership of BNSF to 10.9%. Affiliated interest, as defined in ORS 757.015(3), includes every corporation where 5% or more of the voting securities are owned by a person or corporation also owning at least 5% of the voting securities of PacifiCorp; or every corporation or person owning 5% of the voting

securities in any successive chain of ownership of a public utility. Berkshire's ownership interest in PacifiCorp and BNSF qualifies as an affiliated interest.

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

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

A. Address

The applicant's exact name and address of its principal business office 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:

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

Natalie L. Hocken
Vice President and General Counsel
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Tel. (503) 813-7205
Fax (503) 813-7262
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 Joelle Steward, Regulatory Manager at (503) 813-5542.

C. Relationship Between PacifiCorp and BNSF

PacifiCorp is an indirect, wholly-owned subsidiary of MEHC. MEHC is a direct, wholly-owned subsidiary of Berkshire Hathaway, Inc. Berkshire Hathaway, Inc. now holds a 10.9% ownership interest in BNSF. Accordingly, BNSF is an “affiliated interest” of PacifiCorp as defined in ORS 757.015(3).

D. Voting Securities

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

E. Common Officers and Directors

PacifiCorp and BNSF do not share any common officers or directors.

F. Pecuniary Interest

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

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

Through these Agreements, BNSF provides rail transportation services. Under Agreement BNSF-C-12123, BNSF transports coal obtained from eighteen mines in the Wyoming Powder River Basin to PacifiCorp’s David Johnston Steam Plant near Glenrock, Wyoming. Under the agreement, BNSF transports a minimum of 3.5 million tons of coal per year for PacifiCorp. PacifiCorp manages the volume of coal per car and train as well as the origin of the coal shipments. PacifiCorp also manages the unloading of the cars at the destination. BNSF sends empty trains with separated cars to the mines, loads the separated cars with coal, and then transports the coal across BNSF routes to David Johnston.

PacifiCorp entered into BNSF-C-12123 with BNSF on January 26, 1998, to be effective until December 31, 2013, pursuant to 49 U.S.C. Section 10709. Under this section, railroads may enter into railroad service contracts at terms and conditions specified in the contract, which

are then approved by the STB. The contract sets base rates per ton for coal transportation. These rates are adjusted quarterly based on changes to the Rail Cost Adjustment factor, which is calculated by the American Association of Railroads and approved by the STB. The contract also sets minimum and maximum charges.

Agreement BNSF-C-12470 governs transportation services for coal obtained from twenty mines located in Wyoming, New Mexico and Montana and delivered to Unit Four of Cholla Generation Plant near Joseph City, Arizona. Similar to the agreement for David Johnston, BNSF transports a minimum of 3.8 million tons of coal per year for PacifiCorp. PacifiCorp manages the volume of coal per car and train as well as the origin of the coal shipments. PacifiCorp also manages the unloading of the cars at the destination. BNSF sends empty trains with separated cars to the mines, loads the separated cars with coal, and then transports the coal across BNSF routes to Cholla.

PacifiCorp entered into BNSF-C-12470 with BNSF and the Arizona Public Service Company on January 10, 2006, to be effective until December 31, 2017, pursuant to 49 U.S.C. Section 10709. Under this section, railroads may enter into railroad service contracts at terms and conditions specified in the contract, which are then approved by the STB. The contract sets base rates per ton for coal transportation. These rates are adjusted quarterly based on changes to the All-Inclusive Index Less Fuel with Forecast Error Adjustment factor set by the Association of American Railroads. The contract also sets minimum and maximum charges.

A copy of Agreement BNSF-C-12123 is attached as Exhibit A. A copy of the first amendment to Agreement BNSF-C-12123 is attached as Exhibit B. A copy of Agreement BNSF-C-12470 is attached as Exhibit C.

H. Estimate of Amount PacifiCorp will Pay Annually for Services

PacifiCorp estimates that it will pay approximately \$30 million per year for service under the Agreements with BNSF. PacifiCorp will record most of the charges related to the BNSF agreements in FERC Account 501, Fuel.

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

PacifiCorp owns and operates many generation facilities, some of them fueled by coal. Coal-fired generation may be located near mine heads or may be located far away from a coal source. In situations where coal must travel a great distance to reach the generation plant, railroad transportation service is less expensive than other potential transportation sources such as semi-truck hauling. Rail service providers can be likened to electric utilities in that they usually serve exclusive service territories with rates governed by the STB. While BNSF is not the only rail service company that could provide service to some of the mines, BNSF is the only rail service company that can provide transportation services to David Johnston and Cholla. These Agreements serve the public interest by ensuring PacifiCorp obtains fuel supplies for its coal-fired baseload generation plants at rates overseen by a federal government agency.

J. Description of the Procurement Process

Railroad transportation service is a federally regulated product offered pursuant to terms and conditions approved by STB. Procurement of railroad transportation service is not conducive to a competitive bidding process due to railroads operating on designated routes. However, PacifiCorp considered alternatives to this transportation service, but found the alternatives to be more expensive, less reliable, and/or less flexible. For example, both BNSF and Union Pacific railroads share portions of the routes with access to some of the mines. However,

only BNSF serves David Johnston. Using two railroads to provide transportation service would increase costs and would be inefficient.

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

As described above, BNSF provides services pursuant to the terms and conditions of the Agreements.

L. Copy of Board Resolutions

Authorization to do business with BNSF required approval of PacifiCorp's Board of Directors. A copy of the board resolution is attached as Exhibit D.

WHEREFORE, for the reasons set forth above, PacifiCorp respectfully requests that the Commission issue an order authorizing PacifiCorp to continue to do business with Burlington Northern Santa Fe Railway Company pursuant to the provisions of ORS 757.495 and OAR 860-027-0040.

DATED: June 5, 2007

Respectfully submitted,

/s/ Natalie Hocken
Natalie L. Hocken, OSB #94409
Vice President and General Counsel
Pacific Power
825 N.E. Multnomah St., Suite 2000
Portland OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7262
email: natalie.hocken@pacificorp.com

EXHIBIT A

CONFIDENTIAL

In accordance with OAR 860-011-0080(4)

Provided on separate CD

EXHIBIT B

CONFIDENTIAL

In accordance with OAR 860-011-0080(4)

Provided on separate CD

EXHIBIT C

CONFIDENTIAL

In accordance with OAR 860-011-0080(4)

Provided on separate CD

EXHIBIT D

PacifiCorp

Certified Copy of Resolutions

I, Jeffery B. Erb, an Assistant Secretary of PacifiCorp, an Oregon corporation (hereinafter referred to as the "Company"), HEREBY CERTIFY that the following is a full and true copy of certain resolutions which were duly adopted by the Board of Directors of the Company at a meeting thereof duly held on October 20, 2005, and that said resolutions are in full force and effect on the date hereof, namely:

Fueling Strategy for Cholla Unit 4

WHEREAS, the Cholla Power Plant ("Cholla"), which is located outside of Joseph City, Arizona, consists of four units; and

WHEREAS, Units 1-3 are owned and operated by Arizona Public Service ("APS"), and Unit 4, rated at 380 MW, is owned by PacifiCorp (the "Company") and operated by APS; and

WHEREAS, Cholla is captive for coal deliveries to the Burlington Northern Santa Fe railroad ("BNSF"); and

WHEREAS, the current primary source of coal for Cholla, including Unit 4 will be depleted in 2009; and

WHEREAS, the management of the Company has determined that Peabody's Lee Ranch/El Segundo coal ("LR Coal") is the best replacement for the current source of coal; and

WHEREAS, as described to the Board of Directors of the Company (the "Board"), a coal contract with Peabody for the purchase from Peabody of a minimum of 3.5m tons per year (PacifiCorp's portion is 37.44%) of LR Coal during the term from FY2009 to FY2023, and for an estimated amount of \$608 million over the term of such agreement (the "Long-Term Coal Contract") is being negotiated; and

WHEREAS, on September 2, 2005, APS and the Company, on the one hand, and BNSF, on the other hand, executed a memorandum of understanding (the "MOU") that memorialized proposed rail rates and other terms between the parties, as described to the Board; and

WHEREAS, as described to the Board, a rail agreement with BNSF memorializing the terms of the MOU, with a term of September 1, 2005 through December 31, 2017, and for an estimated of \$165 million over the term of such railway agreement is being negotiated (the "Railway Agreement"); now, therefore, be it

RESOLVED, that the Board hereby approves the negotiation, execution and delivery of the Railway Agreement, in substantially the form described to the Board; and further

RESOLVED, that the Board hereby approves the negotiation, execution and delivery of the Long-Term Coal Contract, in substantially the form described to the Board; and further

RESOLVED, that the President of Interwest Mining, the Chief Executive Officer, Chief Financial Officer, and any Vice President of the Company are hereby authorized, for and on behalf of the Company, to execute each of the Railway Agreement and the Long-Term Coal Contract, with such changes as the executing officer shall deem necessary or advisable (including, in the case of the Railway Agreement, a term as described to the Board, or through the end of the term of the Long-Term Coal Contract, if possible), such officer's execution of the agreement to constitute conclusive evidence of such approval; and further

RESOLVED, that the President of Interwest Mining, the Chief Executive Officer, Chief Financial Officer, and any Vice President of the Company are hereby authorized, in the Company's name and on its behalf, to negotiate, execute and deliver such other agreements and documents, all upon terms and conditions approved by such officer, his or her signature thereon constituting conclusive evidence of such approval, and to do and perform all such further acts and things, as in the judgment of such officer or officers may be desirable or appropriate in order to fully carry out the intent and accomplish the purposes of the foregoing resolution; and further

RESOLVED, that any acts of any officer or officers of the Company, the President of Interwest Mining, and of any person or persons designated and authorized to act by any officer of the Company, which acts would have been authorized by any of the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as the acts of the Company.

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WITNESS my hand this 8th day of May, 2007.

A handwritten signature in black ink, appearing to read 'J. B. Erb', written over a horizontal line.

Jeffery B. Erb, Assistant Secretary