

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 1(11)

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY)	ORDER
)	
Supplemental Application for Approval of an Amendment to its Umbrella Loan Agreement.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On April 10, 2006, PacifiCorp, dba Pacific Power & Light Company (PacifiCorp) filed a supplemental application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015 and ORS 757.495(5), for approval of an amendment to its Umbrella Loan Agreement (Agreement). The parties to the Agreement include PacifiCorp, Pacific Minerals, Inc. (PMI), and Intermountain Geothermal Company (Intermountain). PMI and Intermountain are wholly owned subsidiaries of PacifiCorp; therefore an affiliated interest relationship exists pursuant to ORS 757.015. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

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 June 27, 2006, the Commission adopted Staff’s recommendation.

OPINION

Affiliation

An affiliated interest relationship exists under ORS 757.015.

Applicable Law

ORS 757.495 requires a public utility to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 757.495(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the

financial aspects of the contract for ratemaking purposes. The Commission reserves that issue for a subsequent proceeding.

CONCLUSIONS

1. An affiliated interest relationship exists.
2. The agreement is fair, reasonable, and not contrary to the public interest.
3. The application should be approved, with certain conditions.

ORDER

IT IS ORDERED that the supplemental application of PacifiCorp, dba Pacific Power & Light Company, for approval of an amendment to its Umbrella Loan Agreement, is approved subject to the conditions stated in the Staff Report, attached as Appendix A.

Made, entered, and effective JUL 07 2006.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO: CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: May 26, 2006

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *li* Lee Sparling, *#* Marc Hellman, and *m* Michael Dougherty

SUBJECT: PACIFICORP: (Docket No. UI 1(11)) Supplemental Application for Approval of an Amendment to its Umbrella Loan Agreement.

STAFF RECOMMENDATION:

The Commission should approve the supplemental application of PacifiCorp for an amendment to its Umbrella Loan Agreement (ULA or Agreement) with the following conditions.

1. PacifiCorp, consistent with the Stipulation adopted in Order No. 06-082, shall continue to comply with Commitment Nos. 3, 4, 5, 6, 7, 8, 9, 11a, 18, and 20 of Commission Order No. 06-121 (UM 1209), that pertain to access to books and records concerning the ULA.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. PacifiCorp shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

UI 1(11)
May 26, 2006
Page 2

DISCUSSION:

This filing was made on April 10, 2006, pursuant to ORS 757.015 and ORS 757.495(5). The parties to the Agreement include PacifiCorp, Pacific Minerals Inc. (PMI), and Intermountain Geothermal Company (Intermountain). Both PMI and Intermountain¹ are wholly owned subsidiaries of PacifiCorp; therefore an affiliated interest relationship exists pursuant to ORS 757.015.

PacifiCorp has terminated the participation of PacifiCorp Group Holdings Company (PGHC) in the ULA. As a result of UM 1209, Commission Order No. 06-121, PGHC is no longer an affiliate of PacifiCorp. Additionally, Intermountain is added to the Agreement in this application. PMI was previously added to the Agreement in Commission Order No. 95-405.

The following issues were investigated:

- Scope of the Arrangement and Risk Assessment
- Evaluation of Terms and Conditions
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Arrangement and Risk Assessment: The existing PacifiCorp lending authority approved by the Commission for PMI is limited to \$10,000,000. This application requests an increase in that limitation to \$30,000,000. The underlying reason is the costs that are expected to result from the Bridger Underground Mine Project during 2006 and 2007.

In the application, PacifiCorp stated that PMI's indebtedness was \$3,600,000 as of March 31, 2006. Additionally, PacifiCorp has requested that Intermountain be added to the ULA with borrowing authority of \$30,000,000. The aggregate PacifiCorp lending authority ceiling will remain at \$200,000,000. This amendment has no impact on ULA risk or PacifiCorp's capital structure.

PacifiCorp also requests blanket authorization to add other affiliates (excluding parent MidAmerican Energy Holdings Company and its non-PacifiCorp subsidiaries) to the ULA as needed. These additions would be subject to the aggregate lending authority and individual limitation of \$10,000,000. Any such additions must comply with Staff Recommendation Condition No. 3, and be submitted for Commission review.

¹ Stock ownership in Intermountain and the associated steam rights were transferred to PacifiCorp at no cost as a result of Commitment No. 51 in UM 1209.

UI 1(11)
May 26, 2006
Page 3

Evaluation of Terms and Conditions: With the exception of the blanket request disallowance, no issue is taken with this application.

Determination of Public Interest Compliance: As qualified, the application's terms and conditions appear to be just and reasonable.

Records Availability, Audit Provisions, and Reporting Requirements: Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

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

1. The Agreement's scope is reasonable.
2. Potential transactions, as qualified, will not harm customers and are not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

PacifiCorp's request for amendment of the Umbrella Loan Agreement be approved, as qualified by Staff and subject to the three recommended conditions.

UI 1(11)