

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 286

In the Matter of

PACIFICORP, dba PACIFIC POWER

Application Requesting Approval of Affiliated
Interest Agreement with INTERWEST
MINING COMPANY.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On May 12, 2009, PacifiCorp, dba Pacific Power (Pacific Power), filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.495(1), and OARs 860-027-0040 and 860-027-0048. The application is for approval of an affiliated interest agreement with Interwest Mining Company (Interwest). This is a forward and reverse services agreement effective January 1, 1993, and is therefore not a timely filing. Pacific Power has “coal reserves, properties, mines, facilities and equipment” assets. Interwest provides complementary technical support for the administration of those assets. The basis for the request is detailed in Staff’s 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 30, 2009, the Commission adopted Staff’s recommendation and conditions listed in Appendix A.

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 services contract is fair, reasonable, and not contrary to the public interest.
3. The application should be approved, with certain conditions.

ORDER

IT IS ORDERED that PacificCorp's, dba Pacific Power, application for approval of an affiliated interest agreement with Interwest Mining Company is approved, subject to the conditions stated in the Staff Report attached as Appendix A.

Made, entered, and effective JUL 07 2009.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: June 16, 2009

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *li* Lee Sparling, *HA* Marc Hellman, and *my* Michael Dougherty

SUBJECT: PACIFICORP DBA PACIFIC POWER: (Docket No. UI 286) Application requesting approval of an Affiliated Interest Agreement between PacifiCorp and Interwest Mining Company, an affiliated interest.

STAFF RECOMMENDATION:

The Public Utility Commission (the Commission) should approve the application of PacifiCorp dba Pacific Power (PacifiCorp or the Company) for an affiliated interest agreement with Interwest Mining Company (Interwest) under the following conditions:

1. The Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any payments to/from affiliates.
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. The Company 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.

DISCUSSION:

This application was filed on May 12, 2009, at the request of Commission staff as the result of an operational audit. The underlying authorities for this application are

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ORS 757.495(1), and OAR 860-027-0040 and 0048. This is a forward and reverse services agreement effective January 1, 1993, and is therefore not a timely filing.

The Company has "coal reserves, properties, mines, facilities and equipment" assets. Interwest provides complementary technical support for the administration of those assets.

The following issues were investigated:

- Scope of the Agreement
- Transfer Pricing
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Agreement

The forward services allow for Interwest's assistance on property and mine management as represented by the affiliated suppliers, Energy West Mining Company, Pacific Minerals, Inc., and Trapper Mine. Reverse services provided by PacifiCorp include accounting assistance, income tax preparation, auditing, and information technology processing.

Transfer Pricing

The forward services annual payment is approximately \$685,000. Satisfaction of the lower of cost or market evaluative standard has been made as part of the Staff analysis performed in the current Transition Adjustment Mechanism, Docket UE 207. Concerning the reverse services, PacifiCorp administrative and general costs are being reviewed in the current general rate case application, Docket UE 210.

Determination of Public Interest Compliance

Given the external (operational audit and rate filing) Staff analyses, this application appears 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 arrangement's scope is reasonable.
2. The contract will not harm customers and is not contrary to the public interest with the recommended conditions.

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3. Necessary records are available.

PROPOSED COMMISSION MOTION:

The affiliated interest agreement between PacifiCorp and Interwest Mining Company, be approved, subject to the recommended conditions

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