

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 255(1)

In the Matter of

PACIFICORP, dba PACIFIC POWER

Supplemental Application for Approval of an
Affiliated Interest Agreement with Kern River
Gas Transmission Company.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On October 8, 2009, PacifiCorp, dba Pacific Power & Light Company (PacifiCorp) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495, and OAR 860-027-0040, for approval for a restated agreement to purchase firm transportation service from Kern River Gas Transmission Company. MidAmerican Energy Holdings Company owns both participants to this contract. The original agreement was approved by Commission Order No. 06-683, dated December 26, 2006. 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 December 22, 2009, 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 revised contract between PacifiCorp, dba Pacific Power, and Kern River Gas Transmission Company is approved, subject to the conditions stated in the Staff Report attached as Appendix A.

Made, entered, and effective DEC 28 2009.

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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 22, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: December 8, 2009

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *lis* Lee Sparling, *msa* Marc Hellman, and *m* Michael Dougherty

SUBJECT: PACIFICORP dba PACIFIC POWER & LIGHT: (Docket No. UI 255(1))
Supplemental Application for approval of a restated agreement to
purchase firm transportation service from Kern River Gas Transmission
Company, an affiliated interest.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve the revised agreement between PacifiCorp and Kern River Gas Transmission Company (Kern River) under the following conditions:

1. PacifiCorp shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any transactions with 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. 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.

DISCUSSION:

This application was filed on October 8, 2009, pursuant to ORS 757.015 and 757.495, and OAR 860-027-0040. MidAmerican Energy Holdings Company (MEHC) owns both

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participants to this contract. The original agreement in this docket was approved by Commission Order No. 06-683, dated December 26, 2006.

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

A line-by-line comparison between the original contract and the current submission revealed the following changes:

- There are insubstantial company descriptions/title deletions.
- Addition of the statement "Backhaul Shippers will reimburse Transporter for system-wide lost and unaccounted-for Gas, but will not reimburse Transporter for compressor fuel."
- The Miscellaneous Provisions section wording was amended.
- The Notices, Successors and Assigns, and Governmental Bodies articles are removed.
- The Alternate Exhibit B has been deleted.

The Governmental Bodies stipulation remains in force. A PacifiCorp Board of Directors special delegation of authority to the President of PacifiCorp Energy is also included.

Transfer Pricing

No change is projected in the annual charge or terms and conditions approved in the original contract.

Determination of Public Interest Compliance

This restated agreement maintains the decisions made for the original contract.

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.

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2. The contract will not harm customers and is not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

The revised contract between PacifiCorp and Kern River Gas Transmission Company be approved with the three Staff recommended conditions.

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