

November 15, 2013

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

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

Attn: Steven V. King  
Executive Director and Secretary

**RE: Docket No. UE-13 \_\_\_\_\_—Affiliated Interest Filing—PacifiCorp and Huntington-Cleveland Irrigation Company**

Dear Mr. King:

In accordance with RCW 80.16.020 and WAC 480-100-245, PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) provides notice of an affiliate interest transaction between Huntington-Cleveland Irrigation Company (HCIC) and the Company regarding assessments for HCIC shares owned by the Company. The Share Assessment Agreement by and between Huntington-Cleveland Irrigation Company and PacifiCorp Energy<sup>1</sup> is included with this Notice as Attachment A.

HCIC is a non-profit company that holds water rights in the Huntington Creek drainage, located in Utah, and its tributaries. The Company currently owns approximately one-third of the shares of HCIC. Additionally, HCIC manages access to certain water supplies on behalf of PacifiCorp. RCW 80.16.010 includes in its definition of “affiliated interest,” “every corporation or person with which the public service company has a management or service contract.” Therefore, PacifiCorp’s ownership interest in HCIC creates an affiliated interest.

The Company uses the water obtained through HCIC as the primary supply of water to its Huntington Plant, and as a secondary supply to its Hunter Plant located in Emery County, Utah. The water obtained through HCIC is used in generation plants that are not included in the Commission-approved West Control Area Inter-jurisdictional Allocation Methodology, and therefore not included in Washington rates. Notwithstanding, the Company is providing this notice out of an abundance of caution to ensure consistent treatment of affiliate contracts under the requirements of RCW 80.16.

The HCIC Board of Directors recently approved a share use reclassification for its municipal and industrial water users, and a rate increase for all HCIC shareholders. HCIC and PacifiCorp intend to enter into a new share assessment agreement to reflect the decision made by the HCIC Board of Directors.

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<sup>1</sup> PacifiCorp Energy is a d/b/a of PacifiCorp.

Washington Utilities & Transportation Commission

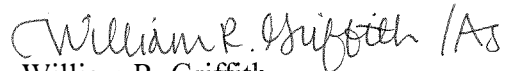
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Also included with this filing is a notarized verification from Michelle R. Mishoe, Senior Counsel, PacifiCorp, regarding the Share Assessment Agreement by and between Huntington-Cleveland Irrigation Company and PacifiCorp Energy.

Please contact Bryce Dalley at (503) 813-6389 if you have any questions.

Sincerely,

  
William R. Griffith  
Vice President, Regulation

Enclosures

**WASHINGTON AFFILIATED INTEREST FILING**

**ATTACHMENT A**

**AGREEMENT**

**Share Assessment Agreement by and between**  
**Huntington-Cleveland Irrigation Company and PacifiCorp Energy**

This Share Assessment Agreement (“Agreement”) is effective as of the \_\_\_\_ day of November, 2013, (“Effective Date”) by and between PacifiCorp Energy, a division of PacifiCorp, an Oregon corporation, (“PacifiCorp”) and Huntington Cleveland Irrigation Company (“HCIC”), a Utah nonprofit irrigation company. PacifiCorp and HCIC shall collectively be referred to as the “parties” or individually as a “party” as the context so requires.

**RECITALS**

A. PacifiCorp owns 52,830.87 shares of Class A stock in HCIC (the “PacifiCorp Shares”), which HCIC had previously described as “Municipal/Industrial” for purposes of imposing share assessments on PacifiCorp’s Shares. PacifiCorp uses the water delivered by HCIC pursuant to the PacifiCorp Shares at the Huntington Power Plant for electric power generation and general industrial purposes.

B. By letters dated April 26, 2013 and July 1, 2013, HCIC informed PacifiCorp of its intent to create a new separate “Industrial” water use category, to include all of the PacifiCorp Shares within the Industrial water use category, and also to increase the assessment for the PacifiCorp Shares. HCIC’s Board of Directors approved the new Industrial water use category and increased assessment of the PacifiCorp Shares on October 12, 2013. A copy of such approval is included as Attachment 1 (“Resolution Implementing an Industrial Assessment for Shares of the Company for which Water Represented Thereby is Used for Industrial Use” (Resolution 10122013-C), hereafter referred to as the “Industrial Shares Assessment Restructuring and Increase”).

C. HCIC believes the Industrial Shares Assessment Restructuring and Increase was necessary in order to adequately fund ongoing HCIC operations, more equitably balance the assessment burden between share water use categories, and better reflect the benefits PacifiCorp receives pursuant to the PacifiCorp Shares as compared to the benefits of other shareholders. HCIC further believes the Share Reclassification is consistent with HCIC’s internal governance requirements and the Utah Share Assessment Act.

D. From the Effective Date of this Agreement, PacifiCorp will not challenge or oppose the Industrial Shares Assessment Restructuring and Increase or the efficacy or regularity of all actions of HCIC necessary to approve the Industrial Shares Assessment Restructuring and Increase on the terms and conditions stated herein.

E. HCIC will not challenge or oppose the terms and conditions of this Agreement during the effective Term of this Agreement.

## TERMS AND CONDITIONS

For the exchange of valuable consideration, the parties agree as follows:

1. **Term:** The term of this Agreement shall be from the Effective Date until December 31, 2023 (the "Term.")
2. **Share Assessment Categories:** HCIC delivers water to three water user categories among its shareholders: (i) Irrigation; (ii) Municipal; and (iii) Industrial. Each of these categories is described in more detail in Article X F 2 of the Amended and Restated Bylaws, included as Attachment 2. If HCIC does not assess all Irrigation users equally, for purposes of this Agreement, HCIC shall determine annually the average Irrigation assessment by totaling all assessments levied on Irrigation users and dividing the total by the total number of Irrigation shares ("Annual Average Irrigation Assessment"). HCIC shall provide annually with its assessment notice to PacifiCorp the reasonably detailed calculations used to determine the Annual Average Irrigation Assessment. If HCIC assesses all Irrigation users equally, it shall provide annually with its assessment notice to PacifiCorp the amount of the assessment of shares that the water represented thereby is used for Irrigation use ("Annual Irrigation Assessment").
3. **Industrial Category:** PacifiCorp agrees not to challenge or oppose the Industrial Shares Assessment Restructuring and Increase or the efficacy or regularity of all actions of HCIC necessary to approve the Industrial Shares Assessment Restructuring and Increase. Except upon prior approval by PacifiCorp which shall not be unreasonably withheld, HCIC agrees that categorization of all HCIC water shares shall be limited to one or more of the following categories during the Term: (i) Irrigation; (ii) Municipal; and (iii) Industrial.
4. **Share Assessments:** HCIC shall assess the PacifiCorp Shares in accordance with HCIC governance requirements, this Agreement and the Utah Share Assessment Act. Beginning with share assessments for 2013, and based on the share assessment categories described in Section 2, (the "Industrial Share Assessment"), the Industrial Share Assessment rate for the PacifiCorp Shares shall be no more than a 5:1 ratio as compared to the Annual Irrigation Assessment or Annual Average Irrigation Assessment. By way of example only, if the Annual Average Irrigation Assessment is \$3.00 per share, then the Industrial Share Assessment shall be no more than \$15.00 per share. PacifiCorp acknowledges that the Industrial Shares Assessment Restructuring and Increase as provided herein complies with this Agreement and the Utah Share Assessment Act.
5. **2013 Share Assessment and Payment:** The parties acknowledge that HCIC already assessed the PacifiCorp Shares under the prior Municipal/Industrial category for 2013, and that PacifiCorp has paid that assessment in full in the amount of \$169,461.73. Notwithstanding the assessment by HCIC and payment by PacifiCorp, the parties agree that the new Industrial Share Assessment for the PacifiCorp Shares shall apply during 2013. The parties further agree that this prior

payment by PacifiCorp shall be considered as a credit against the Industrial Share Assessment imposed by HCIC on the PacifiCorp Shares for 2013 under this Agreement.

6. **Share Assessment Administration:** Industrial Share Assessments shall be administered according to the following principles:
- a. HCIC shall not assess any other Industrial water users more favorably to the water user than it assesses the PacifiCorp Shares, except as HCIC may establish as appropriate under the Utah Share Assessment Act.
  - b. The Industrial Share Assessment is intended to include a proportionate share of all expenses, including but not limited to general operation, maintenance and other costs, associated with HCIC that are assessable to shareholders. The parties intend that no additional costs will be imposed on PacifiCorp or the PacifiCorp Shares outside of the Industrial Share Assessment.
  - c. HCIC shall invoice PacifiCorp only on the basis of a one-line assessment of so many dollars per Class A share of stock owned by PacifiCorp.
7. **Designated Representative and Notices:** Any notice by either party to the other shall be delivered in writing to the office of the designated representative of the other party, or, if deposited in the mail, properly stamped with the required postage and addressed to the office of such representative as follows:

If to PacifiCorp:

PacifiCorp Energy – Huntington Plant  
P.O. Box 680  
Huntington, Utah 84528  
Attn: Plant Manager  
Telephone: (435) 687-4211

If to HCIC:

Huntington Cleveland Irrigation Company  
P.O. Box 327  
Huntington, Utah 84528  
Attn: President  
Telephone: (435) 687-2505

8. **Miscellaneous Provisions:**
- a. Governing Law. This Agreement shall be governed by the laws of the State of Utah, without giving effects to its conflict of law rules contained therein.
  - b. Entire Agreement. This Agreement represents the entire agreement between PacifiCorp and HCIC with respect to the Industrial Shares Assessment Restructuring and Increase and supersedes all prior negotiations, representations or agreements, either written or oral, relating thereto. This Agreement may be amended only in writing signed by both parties.
  - c. Interpretation. Each term hereof shall be construed simply according to its fair meaning and not strictly for or against either party. The parties have jointly prepared this Agreement, and no term hereof shall be construed against a party on the ground that the party is the author of that provision. The Recitals contained herein are repeated verbatim and are incorporated as part of this Agreement.
  - d. Jury Waiver. To the fullest extent permitted by law, each party waives any right it may have to a trial by jury in respect of litigation directly or indirectly arising in connection with this Agreement.

e. Successors and Assigns. This Agreement shall be binding upon all successors and assigns of the parties.

Now, THEREFORE, this Agreement is entered into as of the day and year first written above.

By: \_\_\_\_\_  
PacifiCorp Energy, a division of PacifiCorp

Its: \_\_\_\_\_

Date:

By: \_\_\_\_\_  
Huntington Cleveland Irrigation Company

Its: \_\_\_\_\_

Date:

Attest:

\_\_\_\_\_  
Secretary

Attachment 1

HUNTINGTON-CLEVELAND IRRIGATION COMPANY BOARD  
RESOLUTION 10122013-C

RESOLUTION IMPLEMENTING AN INDUSTRIAL ASSESSMENT FOR  
SHARES OF THE COMPANY FOR WHICH WATER REPRESENTED  
THEREBY IS USED FOR INDUSTRIAL USE

WHEREAS the members and Board of Directors (“Board”) of Huntington-Cleveland Irrigation Company (“Company”) have approved certain amendments to the Articles of Incorporation of the Company which empower the Board to impose an assessment on shares of the Company for which the water represented thereby is used for Industrial Use as defined in Restated and Amended Bylaws of the Company dated October 12, 2013 (herein after “Industrial Shares”);

WHEREAS the Board of the Company has approved certain amendments to the Bylaws of the Company that similarly empower the Board to impose an assessment on Industrial Shares of the Company;

WHEREAS the Utah Share Assessment Act, Title 16, Chapter 4 of the Utah Code allows for differing assessment of shares that have differing right or benefits;

WHEREAS the Board has determined that water that is used for Industrial Use has higher economic value and benefit to the shareholder than water that is used for Irrigation Use.

WHEREAS the Board has determined that it is equitable to assess Industrial Shares at five times the assessment of shares which represent water that is used for Irrigation Use.

WHEREAS the Board has met with Representatives of PacifiCorp Energy a division of PacifiCorp, an Oregon Corporation (“PacifiCorp”) which is the largest owner of Industrial Shares and PacifiCorp is aware of the Board’s intent to establish assessment on Industrial Shares at a rate of five times the assessment of Irrigation Shares and that such assessment will be effective for 2013 for shares owned by PacifiCorp.




NOW THEREFORE, BE IT HEREBY RESOLVED that the Board does hereby establish an annual assessment on Industrial Shares that shall be five times the annual assessment on irrigation shares of the Company for which water represented thereby is used for irrigation use as such water use is defined in the Restated and Amended Bylaws of the Company dated October 12, 2013. This assessment on Industrial Shares shall be effective for the 2013 year for shares owned by PacifiCorp and 2014 for all other Industrial Shares. PacifiCorp shall be entitled to a credit for 2013 assessments it has previously paid.

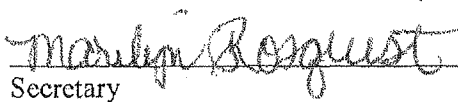
This resolution shall be effective upon passage and shall remain in force until revoked, repealed or amended by a subsequent action of the Board of Directors of the Company.

DATED the 12<sup>th</sup> day of October, 2013

HUNTINGTON-CLEVELAND IRRIGATION COMPANY

  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
Secretary

(Seal)

## Attachment 2

Article X.F.2 of the Amended and Restated Bylaws (October 12, 2013)

2. **NATURE OF WATER USE.** The voting and assessment procedures of the Company are based upon whether or not the water represented by each share is used for irrigation use, municipal use, or industrial use. With respect to the voting rights, assessments, and procedures set forth in the Company's Articles of Incorporation and these Bylaws, "irrigation use" shall mean water applied to land for crop or livestock feed production purposes, and water used for stockwatering purposes, for pecuniary gain; "municipal use" shall mean water used by a municipality, district, or other governmental entity to provide water service to residents and businesses; and "industrial use" shall include all other beneficial uses which are not classified hereunder as "irrigation use" or "municipal use." The designation as to the nature of use to which each share of water is being placed shall be conclusively established by the designation on the books and records of the Company on the date of record as established in the preceding paragraph.

**WASHINGTON AFFILIATED INTEREST FILING**

**VERIFICATION**

**VERIFICATION**

I, Michelle R. Mishoe, am Senior Counsel for PacifiCorp and am authorized to make this verification on its behalf. Based on my personal knowledge about the attached Share Assessment Agreement by and between Huntington-Cleveland Irrigation Company and PacifiCorp Energy, I verify that the Share Assessment Agreement by and between Huntington-Cleveland Irrigation Company and PacifiCorp Energy is a true and accurate copy of the original.

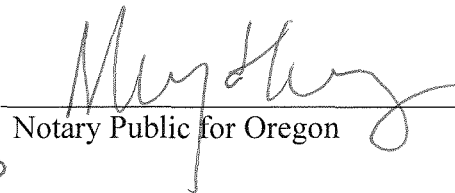
I declare upon the penalty of perjury, that the foregoing is true and correct.

Executed on November 15, 2013 at Portland, Oregon.



Michelle R. Mishoe  
Senior Counsel

Subscribed and sworn to me on this 15 day of November, 2013.



Notary Public for Oregon

My Commission expires: May 17, 2015

