

April 14, 2016

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

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
P.O. Box 47250  
Olympia, WA 98504-7250

**RE: Docket UE-16 \_\_\_\_\_—Affiliated Interest Filing—PacifiCorp and Ferron Canal & Reservoir Company**

Under the provisions of RCW 80.16.020 and in accordance with WAC 480-100-245, Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, provides notice of an affiliated interest transaction with Ferron Canal & Reservoir Company (FCRC) for a Share Assessment Agreement that will provide financial protection to PacifiCorp and will allow PacifiCorp to represent itself as a member of the FCRC Board of Trustees. A verified copy of the Share Assessment Agreement (Agreement) is included with this Notice as Attachment A.

FCRC is a non-profit mutual irrigation company, which is a privately owned water stock company. PacifiCorp holds approximately 37 percent of the outstanding water stock in FCRC. FCRC holds water rights in the Ferron Creek drainage, of which PacifiCorp, by virtue of its share ownership, is entitled to a proportionate amount of FCRC's water right entitlements. FCRC manages the water rights on behalf of PacifiCorp and the other shareholders in the company.

While irrigation companies typically use "ownership by shares" exclusively to allocate and grant water rights (and as such, they are not typical equity interests in the entity), this ownership interest could be deemed to create an affiliate interest in some PacifiCorp jurisdictions. RCW 80.16.010 includes in its definition of "affiliated interest," "every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities." Therefore, PacifiCorp's ownership interest in FCRC creates a potential affiliated interest relationship between the Company and FCRC. PacifiCorp thereby submits this filing out of an abundance of caution.

PacifiCorp pays annual assessment fees to FCRC to help cover its operating and maintenance costs, as well as other costs pertinent to conducting its business, in exchange for receiving access to water used by PacifiCorp's Hunter generating facility, located in Emery County, Utah. PacifiCorp also contracts additional water from FCRC, which is made available to the Hunter generating facility through a long-term agreement between FCRC and PacifiCorp.

PacifiCorp, as an industrial water user, has historically been assessed equal rates by FCRC to those of its agricultural water users. However over the past six years, FCRC has steadily increased PacifiCorp's share assessment rate from an equal rate to a rate five times that of the agricultural rate. Under the Utah Share Assessment Act, FCRC's Board of Trustees sets the value of the share assessments for its water users, which are divided into different classes much like electric utilities. On February 11, 2016, the FCRC Board of Trustees passed a resolution formalizing the restructuring of its share assessments by establishing assessment rates based on the classification of water use (e.g., industrial, agriculture). This resolution establishes a share assessment ratio for industrial class shares of 5:1 as compared to agricultural class shares, which effectively represents a rate increase to PacifiCorp. As an industrial user, PacifiCorp will pay a 5:1 ratio to the share assessment for agricultural users.

PacifiCorp proposes to enter into the Agreement, which will limit FCRC's future ability to increase PacifiCorp's assessment rate beyond a 5:1 ratio as compared to the agricultural assessment rate. The Agreement will also provide industrial user representation on FCRC's Board of Trustees by creating a position for PacifiCorp on the Board. The Agreement has a term of 10 years. Entering into the Agreement is in the public interest because it will protect PacifiCorp from increased share assessment rates and will allow PacifiCorp to have representation on the FCRC Board of Trustees, which will help to ensure that PacifiCorp is able to meet its obligation to provide safe and reliable electric service. The Hunter generating facility is not reflected in Washington rates under the West Control Area inter-jurisdictional allocation methodology. 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.

Also included with this filing is a notarized verification from Jeff Erb, Assistant General Counsel regarding the Share Assessment Agreement.


It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

By E-Mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, Oregon, 97232

For informal inquiries, please contact Ariel Son, Regulatory Projects Manager, at 503-813-5410.

Sincerely,

  
R. Bryce Dalley  
Vice President, Regulation  
Enclosures