

May 11, 2010

***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

Attention: David W. Danner
 Executive Director and Secretary

RE: Affiliated Interest Filing for PacifiCorp

Dear Mr. Danner:

 Pursuant to the provisions of RCW 80.16.020 and WAC 480-100-245, PacifiCorp, d.b.a. Pacific Power (PacifiCorp or Company), files one verified copy each of the following contracts: 1) Non-exclusive Pipeline Easement Agreement (Easement) to be executed between PacifiCorp and Huntington Cleveland Irrigation Company (HCIC), a copy of which is included as Attachment A; 2) Letter of Understanding between PacifiCorp, United States Bureau of Reclamation, Emery Water Conservancy District and Huntington Cleveland Irrigation Company dated February 8,1985 (Letter of Understanding), a copy of which is included as Attachment B; 3) Joint Participation Agreement Between PacifiCorp and Huntington Cleveland Irrigation Company dated July 14, 2005 (Joint Participation Agreement), a copy of which is included as Attachment C; and 4) Final Project Construction Funding Agreement by and between Huntington Cleveland Irrigation Company and PacifiCorp dated May 15, 2007 (Final Project Construction Agreement), a copy of which is included as Attachment D. These contracts may be collectively referred to as “Contracts.”

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 part of the supply to its Huntington Plant and Hunter Plant located in Emery County, Utah. While the Company has owned a certain percentage of shares in HCIC since 1962, a recent review of the ownership structure led to the conclusion that PacifiCorp’s relationship with HCIC creates an affiliated interest. The water obtained through HCIC is used in generation

plants that are not included in the West Control Area 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.

**Non-Exclusive Pipeline Easement Agreement**

 HCIC, along with PacifiCorp, the Bureau of Reclamation, the Utah Department of Food and Agriculture, and the Natural Resources Conservation Service are jointly funding and constructing a federally-sponsored salinity control project in the Colorado River basin. The Company intends to grant an easement over certain Company property in Emery County, Utah, to HCIC so that HCIC may access certain irrigation pipelines and related facilities for the purpose of constructing, operating, maintaining, repairing, inspecting and replacing them as part of the salinity control project.

 The Non-Exclusive Pipeline Easement Agreement is in the public interest because the salinity control project will improve the salt levels in the Colorado River and will improve efficiency in water delivery to the Company’s plants.

**Letter of Understanding**

 The Letter of Understanding is an agreement between all shareholders of HCIC that sets forth the rights and responsibilities of each shareholder regarding the use of the water rights held by HCIC. Under the Letter of Understanding, the Company may divert certain amounts of water for industrial use, either directly or for storage in certain reservoirs. The Company spends approximately $95,000 per year for costs associated with its use of its HCIC water rights.

 This Letter of Understanding is in the public interest because it provides low-cost access to water supplies for certain generation plants.

**Joint Participation Agreement**

 PacifiCorp entered into the Joint Participation Agreement with HCIC to determine each party’s responsibilities regarding the salinity control project discussed above, and to address certain operational issues. Under the Joint Participation Agreement, the Company agreed to fund a certain amount of the salinity control project under certain conditions. Additionally, the Joint Participation Agreement gives PacifiCorp a seat on HCIC’s Board of Directors.

**Final Project Construction Funding Agreement**

 PacifiCorp entered into the Final Project Construction Funding Agreement with HCIC after the construction plans for the salinity control project were finalized. The Company agreed to provide approximately $20 million in funding for the project for the purpose of obtaining matching federal funds. The Final Project Construction Funding Agreement incorporates the Joint Participation Agreement.

 The Final Project Construction Funding Agreement, which incorporates the Joint Participation Agreement, is in the public interest because the salinity control project will improve the salt levels in the Colorado River and will improve efficiency in water delivery to the Company’s plants.

Also included with this filing is a notarized verification from Natalie Hocken, Vice President and General Counsel, Pacific Power, regarding the Contracts.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Andrea L. Kelly

Vice President, Regulation

Pacific Power

Enclosures

**WASHINGTON AFFILIATED INTEREST FILING**

**NON-EXCLUSIVE PIPELINE EASEMENT AGREEMENT**

**WASHINGTON AFFILIATED INTEREST FILING**

**LETTER OF UNDERSTANDING**

**WASHINGTON AFFILIATED INTEREST FILING**

**JOINT PARTICIPATION AGREEMENT BETWEEN PACIFICORP AND HUNTINGTON CLEVELAND IRRIGATION COMPANY**

**WASHINGTON AFFILIATED INTEREST FILING**

**FINAL PROJECT CONSTRUCTION FUNDING AGREEMENT BY AND BETWEEN HUNTINGTON CLEVELAND IRRIGATION COMPANY AND PACIFICORP**

**WASHINGTON AFFILIATED INTEREST FILING**

**VERIFICATION**

**VERIFICATION**

I, Natalie L. Hocken, am an officer of PacifiCorp and am authorized to make this verification on its behalf. Based on my personal knowledge about the attached Non-exclusive Pipeline Easement Agreement, Letter of Understanding, Joint Participation Agreement, and Final Project Construction Agreement, I verify that the Non-exclusive Pipeline Easement Agreement, Letter of Understanding, Joint Participation Agreement, and Final Project Construction Agreement are true and accurate copies of the originals.

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

Executed on \_\_\_\_\_\_\_\_\_\_\_ \_\_, 2010 at Portland, Oregon.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Natalie Hocken

Vice President & General Counsel

Subscribed and sworn to me on this \_\_\_ day of \_\_\_\_\_\_\_, 2010.

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Notary Public for Oregon

My Commission expires: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_