

June 10, 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 of an Agreement dated November 1, 1974 by and between Ferron Canal and Reservoir Company, the Utah Water Resources Board and Utah Power & Light Company (a predecessor PacifiCorp company). The Agreement includes two amendments dated August 11, 1977 and March 31, 1978. A copy of the Agreement and amendments is included as Attachment A. Additionally, the Company transacts business with Ferron Canal and Reservoir Company (“Ferron Canal”) as a shareholder of Ferron Canal.

Ferron Canal is a non-profit company that holds water rights in the Ferron Creek drainage, located in Utah. The Company currently owns 7,647 shares, or approximately 37 percent of the shares of Ferron Canal. Additionally, Ferron Canal 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 Ferron Canal creates an affiliated interest.

The Company uses the water obtained through Ferron Canal as part of the supply to its and Hunter Plant located in Emery County, Utah. While the Company has owned a certain percentage of shares in Ferron Canal since 1974, well before PacifiCorp merged with Utah Power & Light Company,[[1]](#footnote-1) a recent review of the Agreement and Ferron Canal ownership structure led to the conclusion that PacifiCorp’s relationship with Ferron Canal creates an affiliated interest. The water obtained through Ferron Canal 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.

Ferron Canal generally manages the Ferron Creek water rights without written agreements. Ownership of shares in Ferron Canal entitles shareholders to a certain amount of water per share. Written agreements may be used if special circumstances arise. PacifiCorp and certain other Ferron Canal shareholders entered into the Agreement for purposes of pooling water rights to essentially guarantee the Company a certain amount of water from the Ferron Creek drainage. Each member of the pool pledged a certain amount of shares so that PacifiCorp will receive a certain amount of water for use at the Hunter Plant. PacifiCorp pledged approximately 1,500 shares that it had acquired in the Rock Canyon Extension Canal, which was an original part of Ferron Canal’s system.

 PacifiCorp pays a base price of $210,000 per year for the delivery of 7000 acre feet of water pursuant to the Agreement, subject to adjustment according to the wholesale price index for all commodities prepared by the Bureau of Labor Statistics. The Company receives 37 percent of its annual payment back from Ferron Canal for participation as a shareholder. Additionally, the Company pays an annual assessment for operation and maintenance of approximately $130,000.

PacifiCorp purchased shares in Ferron Canal to ensure a firm, long-term water supply for the Hunter Plant in an area with limited water supply sources. Additionally, the Company entered into the Agreement to guarantee a certain amount of water to use at the Hunter Plant. The Company’s ownership of shares in Ferron Canal is in the public interest because it provides access to water supplies for the Hunter Plant in a resource-constrained area.

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

Please direct any informal inquiries to Cathie Allen, Regulatory Manager, at (503) 813-5934.

Sincerely,

Andrea L. Kelly

Vice President, Regulation

Pacific Power

Enclosures

**WASHINGTON AFFILIATED INTEREST FILING**

**AGREEMENT**

**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 Agreement, I verify that the Agreement 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 \_\_\_\_\_\_\_\_\_\_\_ \_\_, 2010 at Portland, Oregon.

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

Natalie Hocken

Vice President & General Counsel

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

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

Notary Public for Oregon

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

1. PacifiCorp merged with Utah Power & Light in 1989. [↑](#footnote-ref-1)