

 September 21, 2011

***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: David W. Danner
 Executive 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 & Light Company (PacifiCorp or Company), files one verified copy each of the Non-Exclusive Easement Agreement (Easement) and the Non-Exclusive Surface Use and Damages Agreement (Surface Use Agreement) by and between PacifiCorp and Cottonwood Creek Consolidated Irrigation Company (CCCIC). The Easement is included as Attachment A and the Surface Use Agreement is included as Attachment B. CCCIC is a non-profit company that holds water rights in the Cottonwood Creek drainage, located in Utah. The Company currently owns approximately 26 percent of the shares of CCCIC. Additionally, CCCIC helps to manage 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 CCCIC creates an affiliated interest.

The Company uses the water obtained through CCCIC as part of the supply to its Hunter Plant located in Emery County, Utah. While the Company has owned a certain percentage of shares in CCCIC since the early 1970’s, a recent review of the ownership structure led to the conclusion that PacifiCorp’s relationship with CCCIC creates an affiliated interest. The water obtained through CCCIC is used in a generation plant that is 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.

**Easement**

 CCCIC requested a perpetual easement from PacifiCorp across a portion of the Hunter generation plant property (Hunter Plant) for the purpose of holding a regulating

reservoir and a portion of a water pipeline. The Easement is necessary as part of the “Cottonwood Project,” which will convert its delivery system from “open-ditch” to a pressurized pipeline delivery/irrigation system. Part of this project involves the construction of the Adobe Wash Reservoir, which will uniquely benefit PacifiCorp. This is currently under construction in the Cottonwood Creek drainage area in Utah.[[1]](#footnote-1) To define the terms and conditions for the construction of the Adobe Wash Reservoir, among other things, PacifiCorp and CCCIC entered into the Construction Funding and Share Assessment Agreement executed in February 2011.[[2]](#footnote-2) Paragraph 6(g) of this agreement requires PacifiCorp to provide an easement to accommodate the portion of the Adobe Wash Reservoir that will be located on PacifiCorp property. The Easement is intended to fulfill the requirements of Paragraph 6(g) of the Construction Funding and Share Assessment Agreement.

The CCCIC Board of Directors and all CCCIC shareholders have agreed that landowners that are CCCIC shareholders granting an easement to CCCIC for the project would charge no fees.  Therefore, as a shareholder, PacifiCorp has agreed not to charge CCCIC for the easement. The estimated market value of the easement, developed through an internal valuation process, is approximately $10,769.74.

**Surface Use Agreement**

 Paragraph 6(f) of the Construction Funding and Share Assessment Agreement requires PacifiCorp to enter into a non-exclusive surface use agreement to provide gravel and clay for the Adobe Wash Reservoir. The Surface Use Agreement at issue here is intended to fulfill the requirements of Paragraph 6(f) the Construction Funding and Share Assessment Agreement. A legal description of the affected property is included with the Surface Use Agreement as Exhibit A.

 The Surface Use Agreement would allow CCCIC to use certain PacifiCorp property near the Hunter Plant. CCCIC may test the subsurface materials to determine if they will be suitable for use in construction of the Adobe Wash Reservoir. If the materials are deemed suitable, CCCIC will present PacifiCorp with a plan of operations to describe how the materials will be extracted. CCCIC must use the property in such a way as to not interfere with utility operations. CCCIC must also pay fair market value, as established in Addendum 1 to the Surface Use Agreement, for any materials extracted and removed from PacifiCorp’s property. CCCIC will also be responsible for any damages to PacifiCorp property incurred as a result of operations occurring under the Surface Use Agreement.

 The Easement and Surface Use Agreement are in the public interest because they are part of a project to provide a more reliable and long-term source of water for the Hunter Plant and reduce operation and maintenance costs.

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

Please do not hesitate to contact Ezra Richards, Regulatory Manager if you have any questions (503) 813-5959.

Sincerely,

Andrea L. Kelly

Vice President, Regulation

Pacific Power

Enclosures

**ATTACHMENT A**

**WASHINGTON AFFILIATED INTEREST FILING**

**NON-EXCLUSIVE EASEMENT AGREEMENT**

**ATTACHMENT B**

**WASHINGTON AFFILIATED INTEREST FILING**

**NON-EXCLUSIVE SURFACE USE AND DAMAGES 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 Non-Exclusive Easement Agreement and Non-exclusive Surface Use and Damages Agreement, I verify that the Non-Exclusive Easement Agreement and Non-exclusive Surface Use and Damages Agreement are true and accurate copies of the original.

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

Executed on \_\_\_\_\_\_\_\_\_\_\_ \_\_, 2011 at Portland, Oregon.

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

Natalie Hocken

Vice President & General Counsel

Subscribed and sworn to me on this \_\_\_ day of \_\_\_\_\_\_\_, 2011.

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

Notary Public for Oregon

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

1. PacifiCorp previously provided information regarding the Adobe Wash Reservoir in its notice of affiliated interest with CCCIC, filed February 17, 2011, which became Docket UE-110309. [↑](#footnote-ref-1)
2. On file with the Washington Utilities and Transportation Commission, Docket UE-110309. [↑](#footnote-ref-2)