

November 27, 2017

**VIA ELECTRONIC FILING**

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
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COMMISSION

**RE: Docket UE-17 \_\_\_\_\_ —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). In 1974, Utah Power & Light Company (a predecessor PacifiCorp company) entered into a long-term water lease agreement with the Ferron Canal & Reservoir Company to make available up to 7,000 acre-feet of water to PacifiCorp for use at the Hunter plant. The lease agreement has been, and will continue to be, a key component to Hunter plant's long term water supply. The lease agreement is now in the final year of its original term, and the parties desire to extend the term.

The proposed agreement, titled "Third Amendment to the Agreement Dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp" (Third Amendment), once signed, will extend the term through November of 2058. The 1974 lease agreement and all other amendments thereto will remain in full force and effect.<sup>1</sup> The Third Amendment also contains provisions allowing PacifiCorp to reduce the contract water amount under the lease agreement or terminate the lease agreement under specified conditions. The Third Amendment also establishes a new minimum annual payment amount, and prohibits PacifiCorp from making any water subject to the lease available to third parties. A verified copy of the Third Amendment 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 water stock 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

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<sup>1</sup> In June 2010, PacifiCorp filed a copy of the November 1, 1974 agreement and the two amendments dated August 11, 1977 and March 31, 1978. See Docket UE-100994.

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.

In April 2016, PacifiCorp filed a Notice of Affiliate Transaction with FCRC related to a Share Assessment Agreement that provided financial protection to PacifiCorp and allowed PacifiCorp to represent itself as a member of the FCRC Board of Trustees (Docket UE-160423). That Share Assessment Agreement remains in place and is a separate agreement than the Third Amendment to the Agreement dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp.

PacifiCorp has used the water supply managed by Ferron Canal & Reservoir Company for the Hunter plant since the plant was commissioned in the early 1970s. Entering into the Third Amendment is in the public interest because water access is very limited in the area and PacifiCorp continues to rely heavily on the water supply from Ferron Canal & Reservoir Company for effective operation of the Hunter plant which, in turn, provides 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 Jeffery B. Erb, Chief Corporate Counsel and Corporate Secretary for PacifiCorp, regarding the Third Amendment to the Agreement dated November 1974 Between Ferron Canal and Reservoir Company and PacifiCorp.

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

Please contact Jason Hoffman, Regulatory Project Manager, at 503-331-4474 if you have any informal questions.

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Sincerely,

          /s/            
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Vice President, Regulation

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Enclosures

NEW-PPL-Attachment A-11-27-17.pdf

NEW-PPL-Verification-Erb-11-27-17.pdf