

June 20, 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

Attention: David W. Danner  
Executive Director and Secretary

RE: Notice of Affiliated Interest Agreement Between PacifiCorp and Fossil Rock Fuels, LLC.

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 the Operating Agreement of Fossil Rock Fuels, LLC (Agreement) to be executed by Fossil Rock Fuels, LLC (Fossil Rock) and PacifiCorp, a copy of which is included with this Notice as Attachment A. The Agreement contains confidential and proprietary terms and conditions, and is therefore being submitted in accordance with WAC 480-07-160. Fossil Rock will be formed as a wholly-owned direct subsidiary of PacifiCorp. Fossil Rock will serve as the leaseholder for certain coal supply agreements, which will be used to supply coal to PacifiCorp's Hunter and Huntington generation plants located in Emery, Utah. 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 Fossil Rock will create an affiliated interest.

The coal obtained through Fossil Rock will be 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.

PacifiCorp intends to make a capital contribution to Fossil Rock in the amount of \$20,020,000. Fossil Rock will use the contribution to acquire two state coal leases. PacifiCorp received the rights to the coal leases as part of the settlement of litigation PacifiCorp brought against Arch Coal Sales Company (Arch Coal) pertaining to the coal supply agreement Arch Coal has with PacifiCorp. Fossil Rock is scheduled to accept transfer of the coal leases for the purchase price payment of \$20,020,000 and assumption of remaining bonus lease payments in

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the amount of \$5 million. This purchase price is equivalent to Arch Coal's original bid and obligations for these coal leases when Arch Coal acquired them from the Utah State Institutional Trust Lands Administration (SITLA). The coal lease tracts are adjacent to the Company's existing, but inactive, Trail Mountain Mine federal coal leases. This establishes an access alternative opportunity through PacifiCorp's existing fee lands and mine portals.

Accepting the coal leases is in the public interest to ensure the Company has access to quality fuel supplies necessary for the operation of its generation plants. The creation of a regulated subsidiary to administer these contracts is also in the public interest, as it provides the most advantageous access to the leases through the Company's existing Trail Mountain mine. PacifiCorp is forming Fossil Rock as a regulated subsidiary solely for the purpose of administering the coal leases. Fossil Rock's business activities will be consolidated into PacifiCorp's results of operations for reporting purposes.

Also included with this filing is a notarized verification from Douglas K. Stuver, Senior Vice President and Chief Financial Officer, PacifiCorp, regarding the Agreement.

Please do not hesitate to contact me if you have any questions (503) 813-6043.

Sincerely,

A handwritten signature in cursive script that reads "Andrea L. Kelly" followed by a stylized initial "AK".

Andrea L. Kelly  
Vice President, Regulation  
Pacific Power

Enclosures

**WASHINGTON AFFILIATED INTEREST FILING**

**VERIFICATION**

**VERIFICATION**

I, Douglas K. Stuver, am an officer of PacifiCorp and am authorized to make this verification on its behalf. Based on my personal knowledge about the attached Operating Agreement of Fossil Rock Fuels, LLC, I verify that the Operating Agreement of Fossil Rock Fuels, LLC is a true and accurate copy of the original.

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

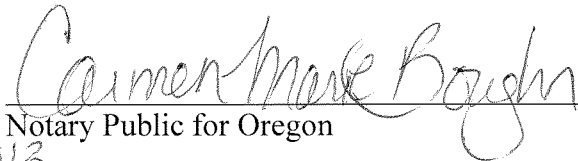
Executed on June 20, 2011 at Portland, Oregon.



Douglas K. Stuver

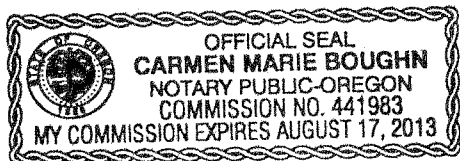
Senior Vice President and Chief Financial Officer  
PacifiCorp

Subscribed and sworn to me on this 20<sup>th</sup> day of June, 2011.



Notary Public for Oregon

My Commission expires: August 17, 2013



**This entire document is designated as  
Confidential per WAC 480-07-160**