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Please Reply To:

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**VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY**

November 2, 2006

Julie P. Orchard
Commission Secretary
Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, Utah 84111

Re: PacifiCorp Notice of Affiliate Transaction
Docket No. 05-035-54

Dear Ms. Orchard:

This letter will serve as notice pursuant to Commitment U 3(2), incorporated in the Public Service Commission of Utah's *Report and Order*, issued February 28, 2006, approving the acquisition of PacifiCorp by MidAmerican Energy Holdings Company, as amended by that certain *Report and Order*, issued March 14, 2006, that PacifiCorp intends to enter into the following new transaction with an affiliate:

A natural gas Firm Transportation Service Agreement ("Agreement") between PacifiCorp and Kern River Gas Transmission Company having a contract demand of 91,000 dth/day, for an initial term of 30 years commencing on February 1, 2007.

Although this is an affiliate transaction, the parties negotiated the Agreement at arms-length. A copy of the Agreement that will be executed is attached hereto for your reference as Exhibit I. As provided in Commitment U 14 in the referenced docket, a copy of this letter is being provided to the Division of Public Utilities and the Committee of Consumer Services.

Please call me at the above number or Dave Taylor at (801) 220-2923 if you have any questions regarding this filing.

Sincerely,

A handwritten signature in black ink that reads "Dean S. Brockbank / p. n.". The signature is written in a cursive, slightly slanted style.

Dean S. Brockbank

cc: Connie White, DPU
Reed Warnick, CCS

EXHIBIT I
FIRM TRANSPORTATION SERVICE AGREEMENT
CONTRACT NO. <contract_nbr>

THIS AGREEMENT is made and entered into this <execution_date_formal> by and between **KERN RIVER GAS TRANSMISSION COMPANY**, a Texas general partnership, hereinafter called "Transporter," and **PACIFICORP** a Corporation incorporated/formed under the laws of the State of Oregon hereinafter called "Shipper".

WHEREAS, Shipper has acquired or intends to acquire a supply of Natural Gas which can be delivered to Transporter's pipeline system and redelivered by Transporter to Shipper or for Shipper's account at Delivery Points on Transporter's system;

WHEREAS, Shipper desires Transportation service from Transporter in accordance with Transporter's Rate Schedule KRF-1, for firm incremental rate service related to the 2003 Expansion Project, on file with the FERC, as amended from time to time; and

WHEREAS, Transporter is willing to render such Transportation service.

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

- 1.1 Subject to the terms, conditions and limitations hereof, Transporter agrees to receive, on a firm basis, from Shipper for Transportation at the Receipt Point(s) specified in Exhibit "A" hereto, as amended from time to time, and to transport and deliver Thermally Equivalent Quantities to Shipper at the Delivery Point(s) specified in Exhibit "A" hereto, as amended from time to time, Quantities of Natural Gas, exclusive of Quantities required for fuel used and lost and unaccounted-for Gas, up to Shipper's TMDQ, which is 91,000 Dth per day. Shipper's DMDQ is equal to Shipper's TMDQ.
- 1.2 Shipper will reimburse Transporter for fuel used and lost and unaccounted-for Gas on an in-kind basis at the factors applicable to incremental rate service related to the 2003 Expansion Project, pursuant to the General Terms and Conditions of Transporter's tariff as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time.

ARTICLE II - APPLICABLE RATE SCHEDULE

- 2.1 Shipper agrees to pay Transporter for all Natural Gas Transportation service rendered under the terms of this Agreement in accordance with Transporter's Rate Schedule KRF-1, as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time. This Agreement will be subject to the provisions of such Rate Schedule and the General Transportation Terms and Conditions applicable thereto on file with the FERC and as amended from time to time, which by this reference are incorporated herein and made a part hereof.
- 2.2 Shipper's rates for Transportation service shall be in accordance with the rates set forth in Exhibit B. In accordance with the Federal Energy Regulatory Commission's Policy Statement on Alternatives to Traditional Cost-of-Service Ratemaking, Transporter will submit the negotiated rates reflected on Exhibit "B" to the Commission for review prior to flowing gas under this Agreement. If the Commission disallows the negotiated rates, Shipper's rates for Transportation service shall be in accordance with the rates set forth in Alternate Exhibit "B."
- 2.3 Notwithstanding Section 5.5 of the General Terms and Conditions, and subject to any negotiated credit, Shipper will make payment of the Monthly Reservation Charge pursuant hereto in full irrespective of (but without prejudice to the rights otherwise of Shipper with respect to) any dispute relative to the amount invoiced, and will not be entitled to any abatement of such payment or any set-off against it, including but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity, whether in connection herewith or any unrelated transaction.

ARTICLE III - TERM OF AGREEMENT

- 3.1 This Agreement will become effective on February 1, 2007 and will remain in full force and effect through January 31, 2037.

ARTICLE IV - NOTICES

- 4.1 Any notice called for in this Agreement will be given in writing and will be considered as having been given if delivered personally, by confirmed facsimile or by mail with all postage and charges prepaid to either Shipper or Transporter at the place designated. Routine communications will be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone, electronic media or confirmed facsimile. Unless changed, the addresses of the parties are as follows:

Transporter:
KERN RIVER GAS TRANSMISSION COMPANY
Attention: MARKETING & CUSTOMER SERVICES
2755 E. Cottonwood Parkway S-300
Salt Lake City UT 84121
Facsimile: (801) 937-6444

Shipper Notices:
PACIFICORP
Attention: Contract Administration
825 NE Multnomah, Suite 600
Portland, Oregon 97232
Facsimile: (503) 813-6260

Shipper Invoices:
PACIFICORP
Attention: C&T Back Office
825 NE Multnomah, Suite 700
Portland, Oregon 97232
Facsimile: (503) 813-6260

ARTICLE V - SUCCESSORS AND ASSIGNS

5.1 This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder will be made without the written consent of the other party. Such consent will not be unreasonably withheld. No such consent of Transporter or Shipper will be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained herein will prevent either party from pledging, mortgaging or assigning its rights hereunder as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement. As between the parties hereto, such assignment will become effective on the first day of the month following written notice that such assignment has been effectuated. Upon request of either party, the other party will acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce this Agreement against such other party, and will also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, this Agreement and any other matters relevant thereto. No permitted assignment will relieve the assigning party from any of its obligations under this Agreement. Shipper hereby confirms that the rights of Transporter under the Agreement that may be assigned include any right given or reserved to Transporter in the Agreement to consent to any assignment or transfer by Shipper of its rights and obligations thereunder.

ARTICLE VI - GOVERNMENTAL BODIES

- 6.1 Notwithstanding any other provision hereof, this Agreement will be subject to all laws, statutes, ordinances, regulations, rules and court decisions of governmental entities now or hereafter having jurisdiction.

ARTICLE VII - MISCELLANEOUS PROVISIONS

- 7.1 This Agreement will be amended only by an instrument in writing executed by both parties hereto.
- 7.2 No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement will operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.
- 7.3 No liability for any act or omission of Transporter will be incurred by, or asserted against, any person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter will be against Transporter only.
- 7.4 The headings of the Articles of this Agreement are inserted for convenience of reference only and will not affect the meaning or construction thereof.
- 7.5 This Agreement will be construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

<signatory_block>

EXHIBIT "A"
TO FIRM TRANSPORTATION SERVICE AGREEMENT
DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP
AND
KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day – 1/

<u>Receipt Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Receipt Point Entitlements</u>	<u>Receipt Pressure (psig) – 2/</u>
Goshen	014010	Physical	91,000 Dth/d	1200

<u>Delivery Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Delivery Point Entitlements</u>	<u>Delivery Pressure (psig) – 3/</u>
Lake Side	024032	Physical	91,000 Dth/d	650

1/ The Receipt Point Entitlements and Delivery Point Entitlements specified on this Exhibit "A" must each be equal to (1) Shipper's DMDQ, if this is an original Exhibit "A" or (2) the Receipt and Delivery Point Entitlements set forth on the original Exhibit "A" to the agreement, if this is an amended Exhibit "A".

2/ The minimum pressure at which Shipper will be obligated to cause Gas to be delivered to Transporter for Shipper's account at the Receipt Point (s).

3/ The maximum pressure at which Transporter will be obligated to deliver Gas for Shipper's account at the Delivery Point (s).

EXHIBIT "B"

TO FIRM TRANSPORTATION SERVICE AGREEMENT

DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP

AND

KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day

EFFECTIVE: February 1, 2007

NEGOTIATED RATES

Reservation/Demand Charges:

Shipper will pay Transporter daily reservation/demand charges on a total quantity of 91,000 Dth per day, determined as follows:

1. For all quantities not scheduled, up to 91,000 Dth per day, Shipper will pay Transporter a discounted firm daily reservation/demand rate of \$0.09 per Dth for the entire term of the agreement.
2. For scheduled quantities from the Goshen receipt point to the Lake Side or West Valley delivery points, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement.
3. For scheduled quantities from the Goshen receipt point to all delivery points north of the Goshen receipt point from February 1, 2007 through January 31, 2008, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth.
4. For scheduled quantities from the Goshen receipt point to delivery points north of the Goshen receipt point and south of the Coyote Creek compressor station, other than the Lake Side and West Valley delivery points, from February 1, 2008 through January 31, 2037, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.12 per Dth.
5. For scheduled quantities from the Goshen receipt point to all delivery points north of the Coyote Creek compressor station from February 1, 2008 through January 31, 2037, Shipper

will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered, or a discounted firm daily reservation/demand backhaul rate mutually agreed to by Transporter and Shipper.

Commodity/Usage Charges:

The Commodity/Usage Rate for all capacity scheduled by Shipper or any replacement Shipper pursuant to paragraphs (2) through (5) above shall be the lesser of \$0.005 per Dth or the maximum rate under the KRF-1 Rate Schedule for firm incremental rate service at the time service is rendered, plus all applicable surcharges, for the entire term of the agreement.

Transportation Charges for All Other Transportation Paths and for Authorized Overrun

For all other scheduled quantities, including quantities in excess of Shipper's DMDQ, Shipper will pay Transporter a Total Rate that is calculated as follows:

$$\text{Total Rate} = \text{Maximum Rate} + \text{Applicable Surcharges} + \text{Index Spread Adjustment}$$

Where:

Maximum Rate = The sum of the maximum firm daily reservation/demand rate and the maximum commodity/usage rate under Rate Schedule KRF-1 for incremental rate service related to the 2003 Expansion Project

Index Spread Adjustment* = [(Others "SoCal Gas" – Rockies "Kern River, Opal Plant") – Maximum Rate] x .75

*Based on the Daily Price Survey, Flow Date Midpoint spot price reported in the Platts' Gas Daily publication for the day of scheduled transportation.

In no event will the Total Rate, less applicable surcharges, be less than the Maximum Rate described above. The parties understand and agree that Transporter may change its rates and/or surcharges from time to time in accordance with the Natural Gas Act.

ALTERNATE EXHIBIT "B"
TO FIRM TRANSPORTATION SERVICE AGREEMENT

DATED: <execution_date>

CONTRACT NO: <contract_nbr>

BETWEEN

PACIFICORP
AND
KERN RIVER GAS TRANSMISSION COMPANY

SHIPPER'S DMDQ: 91,000 Dth per day

EFFECTIVE: February 1, 2007

DISCOUNTED RATES

Reservation/Demand Charges:

Shipper will pay Transporter daily reservation/demand charges on a total quantity of 91,000 Dth per day, determined as follows:

1. For all quantities not scheduled, up to 91,000 Dth per day, Shipper will pay Transporter a discounted firm daily reservation/demand rate of \$0.09 per Dth for the entire term of the agreement.
2. For scheduled quantities from the Goshen receipt point to the Lake Side or West Valley delivery points, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth for the entire term of the agreement.
3. For scheduled quantities from the Goshen receipt point to all delivery points north of the Goshen receipt point from February 1, 2007 through January 31, 2008, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.09 per Dth.
4. For scheduled quantities from the Goshen receipt point to delivery points north of the Goshen receipt point and south of the Coyote Creek compressor station, other than the Lake Side and West Valley delivery points, from February 1, 2008 through January 31, 2037, Shipper will pay Transporter a discounted firm daily reservation/demand backhaul rate of \$0.12 per Dth.

5. For scheduled quantities from the Goshen receipt point to all delivery points north of the Coyote Creek compressor station from February 1, 2008 through January 31, 2037, Shipper will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered, or a discounted firm daily reservation/demand backhaul rate mutually agreed to by Transporter and Shipper.
6. For all other scheduled quantities, except Authorized Overrun, Shipper will pay Transporter's maximum firm daily reservation/demand rate under Rate Schedule KRF-1 for firm incremental rate service related to the 2003 Expansion Project at the time service is rendered for the entire term of the agreement.

Commodity/Usage Charges:

The Commodity/Usage Rate for all capacity scheduled by Shipper or any replacement Shipper pursuant to paragraphs (2) through (6) above shall be the lesser of \$0.005 per Dth or the maximum rate under the KRF-1 Rate Schedule for firm incremental rate service at the time service is rendered, plus all applicable surcharges, for the entire term of the agreement.

Authorized Overrun Charges:

For all scheduled quantities in excess of 91,000 Dth per day, Shipper will pay Transporter the maximum authorized overrun rate at the time service is rendered, plus all applicable surcharges.