



September 22, 2011

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

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:

Pursuant to Commitment U3(2), incorporated in the Public Service Commission of Utah's *Report and Order* approving the *Acquisition of PacifiCorp by MidAmerican Energy Holdings Company*, issued January 27, 2006, as amended March 14, 2006, and June 5, 2006, Rocky Mountain Power hereby submits an original and five copies each of the Non-Exclusive Easement Agreement ("Easement") and the Non-Exclusive Surface Use and Damages Agreement ("Surface Use Agreement") by and between PacifiCorp ("Rocky Mountain Power" or the "Company") 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. The Company's ownership interest in CCCIC may create an affiliate relationship in some PacifiCorp jurisdictions.

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 the relationship with CCCIC may constitute an affiliated interest.

Easement

CCCIC requested a perpetual easement from PacifiCorp across a portion of the Hunter generation plant property 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 Rocky Mountain Power. This is currently under construction in the Cottonwood Creek drainage area in Utah. To define the terms and conditions for the construction of the Adobe Wash Reservoir, among other things, Rocky Mountain Power and CCCIC entered into the Construction Funding and Share Assessment Agreement executed in

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February 2011. Paragraph 6(g) of this agreement requires Rocky Mountain Power to provide an easement to accommodate the portion of the Adobe Wash Reservoir that will be located on Rocky Mountain Power 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, Rocky Mountain Power 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 Rocky Mountain Power 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 Rocky Mountain Power 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 Rocky Mountain Power 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 Rocky Mountain Power's property. CCCIC will also be responsible for any damages to Rocky Mountain Power 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.

Please do not hesitate to contact me if you have any questions.

Very truly yours,



Mark C. Moench
Senior Vice President and
General Counsel
Rocky Mountain Power

Enclosures

cc: Chris Parker, DPU
Michele Beck, CCS