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November 22, 2017

Gary Widerburg
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 Mr. Widerburg:

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* (MEHC), issued January 27, 2006, as amended March 14, 2006, and June 5, 2006, Rocky Mountain Power d.b.a. PacifiCorp hereby 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. 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 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.

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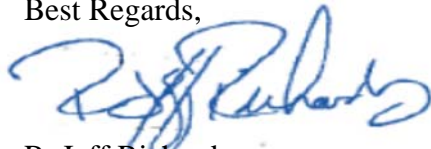
While irrigation companies typically use “ownership by shares” exclusively to allocate and grant water rights (and as such, they are not typical equity interests in the entity), this ownership interest could be deemed to create an affiliate interest in some PacifiCorp jurisdictions. Therefore, PacifiCorp’s 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. 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.

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

Best Regards,



R. Jeff Richards
Vice President and General Counsel
PacifiCorp

Enclosures

cc: Chris Parker, DPU
Michele Beck, OCS

Attachment A

Third Amendment to the Agreement Dated November
1974 Between Ferron Canal and Reservoir Company and
PacifiCorp

**THIRD AMENDMENT TO
THE AGREEMENT DATED NOVEMBER 1974
BETWEEN FERRON CANAL AND RESERVOIR COMPANY AND PACIFICORP**

This third Amendment (“Amendment”) to the Agreement dated November 1974 between Ferron Canal and Reservoir Company and PacifiCorp (“Agreement”) is entered into as of the date of the last signature below, between Ferron Canal and Reservoir Company and PacifiCorp (successor to Utah Power and Light Co.), each sometimes referred to herein as “Party” or collectively as “Parties.”

RECITALS

PacifiCorp entered into the Agreement for the purpose of securing a water supply to the Hunter Power Plant and pays Ferron Canal and Reservoir Company an agreed upon amount to deliver up to 7,000 acre-feet of water (“Contract Water Amount”) pursuant to Paragraph 5 of the Agreement. The Parties agree that the Agreement has generally worked well for both Parties and that there are benefits to maintaining the existing agreement;

The Agreement’s term is ambiguous, but likely terminates by its own terms on November 1, 2018 under Paragraph 5. By this Amendment, the Parties intend to (1) extend the term of the Agreement and (2) amend it to allow PacifiCorp to terminate the Agreement or modify it to reduce the Contract Water Amount in the event of major operational changes at the Hunter plant.

AMENDMENT

In consideration of the mutual promises and covenants contained herein, together with the benefits to be derived herefrom, the Parties agree as follows: The fourth sentence of Paragraph 5 of the Agreement which reads: “The annual payment provided for in this paragraph shall be adjusted each year in accord with the wholesale price index for all commodities (1967=100) prepared by the Bureau of Labor Statistics, but in no event shall the payment provided for herein be less than \$105,000 per year[.]” shall be amended to read as follows: “The annual payment provided for in this paragraph shall be adjusted each year in accord with the wholesale price index for all commodities (1967=100) prepared by the Bureau of Labor Statistics, but in no event shall the payment provided for herein be less than \$350,000 per year.”

There shall be added to the Agreement the following Paragraphs:

11. Term. This Agreement and all amendments thereto, shall remain in full force and effect through November 1, 2058 unless PacifiCorp submits a written notice, pursuant to the terms of Paragraph 12, to Ferron Canal and Reservoir Company to either reduce the Contract Water Amount or terminate this Agreement.

12.1 Reductions to Water Supply. Only after the end of the initial ten year extension provided by this Amendment and to accommodate for any major operational changes at the Hunter Power Plant, PacifiCorp, in its sole discretion, may decrease the Contract Water Amount it requires

under the Agreement. To make such adjustment, PacifiCorp shall provide Ferron Canal and Reservoir Company with written notice at least two (2) years in advance of any such adjustment becoming effective. The notice will state the amount of water PacifiCorp requests to be reduced from the Contract Water Amount. Payment for the changed Contract Water Amount shall be adjusted to account for the reduced water supply according to the same formula set forth in Paragraph 5 of the Agreement.

12.2 Termination of Agreement due to Operational Changes. Only after the end of the initial ten year extension provided by this Amendment and to accommodate for any major operational changes at the Hunter Power Plant, PacifiCorp, in its sole discretion, may terminate this Agreement in its entirety by providing written notice to Ferron Canal and Reservoir Company within two (2) years from the date of termination.

13. PacifiCorp may only use the water provided pursuant to this agreement for the purposes provided for herein, and in no event is PacifiCorp permitted to sublease, subcontract, otherwise offer for sale or use any water provided to it under this Agreement to a third party.

Each Party hereby represents and warrants to the other Party that it has the right, power and authority to execute, deliver and perform this Agreement.

All other terms and conditions in the Agreement, including any amendments thereto shall remain in full force and effect. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused their properly authorized representatives to execute and seal this Fourth Amendment on the dates set forth below.

PacifiCorp, an Oregon corporation

By: _____

Name: _____

Title: _____

Date: _____

PacifiCorp Acknowledgement

STATE OF _____)

)ss:

COUNTY OF _____)

On the ____ day of _____, 200_ before me personally appeared _____, and acknowledged under oath that he is the _____ of _____, the _____ named in the attached instrument, and as such was authorized to execute this instrument on behalf of the _____.

Notary Public: _____

My Commission Expires: _____

Ferron Canal and Reservoir Company

By: _____

Name: _____

Title: _____

Date: _____

STATE OF _____)

)ss:

COUNTY OF _____)

On the ____ day of _____, 200_ before me personally appeared _____, and acknowledged under oath that he is the _____ of _____, the _____ named in the attached instrument, and as such was authorized to execute this instrument on behalf of the _____.

Notary Public: _____

My Commission Expires: _____