

February 1, 2012

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

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

**RE: Advice Letter No. 465-E PacifiCorp (U 901-E)
Property Transaction Regarding Colstrip-White Property Sale, Request
for Approval Under Section 851**

PURPOSE

PacifiCorp, d.b.a. Pacific Power (PacifiCorp or Company), respectfully submits this filing requesting approval from the California Public Utilities Commission (Commission) under Public Utilities Code Section 851, General Order 96-B and Resolution ALJ-244, as modified by Resolution ALJ-272,¹ for the sale of property, located in Colstrip, Montana (Colstrip-White Property) to Jason and Shanna White (Whites). Public Utilities Code Section 851 requires a utility to file an advice letter and obtain a resolution from the Commission authorizing any disposition of property necessary or useful in the performance of its duties to the public. The sale of the Colstrip-White Property will not affect PacifiCorp's ability to provide utility service, it will not materially affect rate base, and it will not require California Environmental Quality Act (CEQA) review because the transaction is categorically exempt.

BACKGROUND

PacifiCorp owns ten percent of Units Three and Four of the Colstrip generation plant located in Montana. Due to limited housing availability, Colstrip Township was developed as a means of attracting workers to the generation plant. The owners of the Colstrip generation plant, including PacifiCorp, also own or owned many of the parcels of property located in Colstrip Township. The Whites intend to purchase a residential lot for the purpose of constructing a single-family home. Included as Attachment A is a copy of the Agreement for Sale and Purchase of Real Property, which includes a copy of the Grant Deed.

Sales of property in Colstrip Township present a unique situation for PacifiCorp. As a minority owner in Colstrip Units Three and Four, PacifiCorp does not actively negotiate sales

¹ On August 18, 2011, the CPUC adopted Resolution ALJ-272 which extends the Section 851 pilot program for up to one year until August 23, 2012. ALJ-272 did not modify the filing requirements required to be addressed in the advice letter filings as set forth in ALJ-244. This advice letter continues to refer to ALJ-244 when providing the information required by the filing requirements.

of property in Colstrip Township. Typically, PacifiCorp is only notified after the sale closes and PacifiCorp's signature is required on the deed to perfect the transfer of title. On October 19, 2011, the Company filed an application seeking an exemption to the Public Utilities Code Section 851 filing requirements for sales of property in Colstrip Township, which became Docket A.11-10-022. The Company will be seeking approvals for individual sales of Colstrip Township properties as they arise during the pendency of this proceeding.

This transaction does not require approval from any other regulatory agencies.

As is more fully explained below, this transaction will not affect PacifiCorp's ability to perform its public duties. Additionally, the effect of this transaction on rates will be immaterial. Further, this transaction should be found categorically exempt from the provisions of CEQA.

COMPLIANCE WITH RESOLUTION ALJ-244 FILING REQUIREMENTS

In accordance with Resolution ALJ-244, Appendix A, Section IV, PacifiCorp provides the following information related to the transaction:

(1) Identity and Addresses of all Parties to the Proposed Transaction

Representative of the Whites:

Jason and Shanna White
PO Box 825
Colstrip, MT 59323

Representative from PacifiCorp:

Michelle R. Mishoe
Counsel for PacifiCorp
825 NE Multnomah, Ste 1800
Portland, OR 97232
(503) 813-5977

(2) Complete Description of the Property Including its Present Location, Condition and Use

PacifiCorp owns a ten percent interest in Units Three and Four of the Colstrip generation plant located in a sparsely populated area of Montana. To attract workers to the Colstrip generation plant, the owners established a township near the plant so that workers could live nearby. The property at issue in this transaction is approximately 9,000 square feet in size and is zoned for residential purposes.

(3) Transferee's Intended Use of the Property

The Whites intend to use the property to construct a single-family home.

(4) A Complete Description of the Financial Terms of the Proposed Transaction

When properties in Colstrip Township are sold, the assumed asset value of the property is retired by reclassifying the asset value from “Electric Plant In Service” to “Accumulated Provision for Depreciation of Electric Utility Plant”. The net effect of this reclassification on rate base is a net zero, as both accounts are included as components of rate base.

Any net proceeds received (net of recording fees, taxes, title, or other closing costs) are treated as salvage and are recorded as a credit to “Accumulated Provision for Depreciation of Electric Utility Plant”. This results in a reduction in rate base by the amount of the net proceeds received. The net salvage credit to this account results in reduced depreciation expense in the future, reflective of the fact that rate base has been reduced by the net proceeds received from the sale of the property. The total value of the Colstrip-White Property sale is \$11,500 of which PacifiCorp’s share is \$1,150 ($\$11,500 \times 10$ percent Colstrip ownership share). The California share of proceeds on the transaction will be \$19.44 ($\$1,150 \times 1.6907$ percent² - California’s allocation factor).

(5) A Description of How the Financial Proceeds of the Transaction Will be Distributed

Please refer to Section (4) above. The Colstrip Properties are included on the Company’s “Electric Plant In Service” books in a lump sum and individual properties are not identified. The net effect of the sales of individual properties is immaterial.

(6) A Statement of the Impact of the Transaction on Rate Base and any Effect on PacifiCorp’s Ability to Serve its Customers and the Public

Please refer to Sections (4) and (5). This transaction involves the sale of property located in a township that does not support any facilities used in PacifiCorp’s provision of utility service. The transaction will not affect PacifiCorp’s ability to serve its customers.

(7) For Sales of Real Property and Depreciable Assets, the Original Cost, Present Book Value, and Present Fair Market Value, and a Detailed Description of How the Fair Market Value was Determined (e.g., Appraisal)

Please refer to Sections (4) and (5). Additionally, the owners of the Colstrip generation plant rely on a property management company to assist with sales of properties in Colstrip Township. Market values are determined by the property management company.

² This is based on the December 2010 System Generation allocation factor of 1.6907 percent.

(8) For Leases of Real Property, the Fair Market Rental Value, a Detailed Description of How the Fair Market Rental Value was Determined, and Additional Information Necessary to Show Compliance with Resolution ALJ-244, Appendix A, Section II.A.6

Not applicable.

(9) For Easements or Rights-of-Way, the Fair Market Value of the Easement or Right of Way and a Detailed Description of how the Fair Market Value was Determined

Not applicable.

(10) Complete Description of Any Recent Past (within the prior two years) or Anticipated Future Transactions that May Appear to be Related to the Present Transaction, such as Sales or Leases of Real Property that are Located Near the Property at Issue or that are Being Transferred to the Same Transferee; or for Depreciable Assets, Sale of Similar Assets or Sales to the Same Transferee

The owners of the Colstrip generation plant have sold various parcels of property in Colstrip Township over the past few years. Other parcels are listed as “for sale” in the Colstrip Township. The Company may be a party to other property sales in the area. PacifiCorp filed an application seeking an exemption to the Public Utilities Code Section 851 filing requirements for the Colstrip Township property sales.³ Prior to receiving a final order in that proceeding, PacifiCorp will be filing advice letters for individual transactions as they arise. The Commission recently approved several individual property sales in Colstrip, Montana, in Advice Letters 446-E (Colstrip-Becker Property), 450-E (Colstrip-Hotter Property), 455-E (Colstrip-Dunn Property) and 456-E (Colstrip-Allred-Property).

(11) Sufficient Information and Documentation (including environmental documentation) to Show that All of the Eligibility Criteria Stated in Section II of Appendix A of Resolution ALJ-244 have been Met

a. Transaction will not Require Environmental Review by the Commission

In accordance with Rule 2.4 of the Commission’s Rules of Practice and Procedure, PacifiCorp determined that the property sale will not have a significant impact to the environment and should be categorically exempt from the provisions of CEQA. (Cal. Code Regs. tit. 14 §15303). Among the classes of exempt projects are those involving new construction or

³ Docket A.11-10-022.

conversion of small structures, such as single-family residences and small commercial structures that will not involve significant amounts of hazardous substances. (*Id.*). The Colstrip-White Property will be used for the purpose of constructing a single-family residence. No formal CEQA review is required and no Proponent's Environmental Assessment, as described in Rule 2.4 of the Commission's Rules of Practice and Procedure, is needed with this Advice Letter.

b. Transaction will not have an Adverse Effect on the Public Interest or the Company's Ability to Provide Safe and Reliable Service to Customers at Reasonable Rates

The sale of the Colstrip-White Property will not adversely affect the public interest or the Company's ability to provide safe and reliable service to its customers at reasonable rates. Any impact to rate base will be immaterial.

c. Financial Proceeds will Either be (a) Booked to a Memorandum Account for Distribution Between Shareholders and Ratepayers During the Next General Rate Case or other Applicable Proceeding, or (b) Immediately Divided Between Shareholders and Ratepayers Based on a Specific Distribution Formula Previously Approved by the Commission.

See Sections (4) and (5).

d. If the Transaction Results in a Fee Interest Transfer of Real Property, the Property does not have a Fair Market Value in Excess of \$5 Million.

The total fair market value of this property sales transaction is \$11,500, which is below the \$5 million limit and qualifies for use of the pilot program advice letter process.

e. If the Transaction Results in a Sale of a Building(s) (Without an Accompanying Fee Interest Transfer of the Underlying Land), the Building(s) does not have a Fair Market Value in Excess of \$5 Million.

Not applicable.

f. If the Transaction is for the Sale of Depreciable Assets (Other than a Building or Buildings), the Assets do not have a Fair Market Value in Excess of \$5 Million. If the Transfer is a Lease or a Lease-Equivalent, the Total Net Present Value of the Lease Payments, Including any

Purchase Option, does not have a Fair Market Value in Excess of \$5 Million, and the Term of the Lease will not Exceed 25 Years.

Not applicable.

- g. If the Transaction Conveys an Easement, Right-of-Way, or Other Interest in Real Property, the Value of the Easement, Right-of-Way, or Other Interest in the Property does not Exceed \$5 Million.**

Not applicable.

- h. The Transaction will not Materially Impact the Rate Base of the Utility.**

As discussed above, this transaction will not materially impact the Company's rate base.

- i. If the Transaction Involves a Transfer or Change in Ownership of Facilities Currently Used in Regulated Utility Operations, the Transaction will not Result in a Significant Physical or Operational Change in the Facility Other than in the Normal Course of Business.**

Not applicable.

- j. The Transaction does not Warrant a More Comprehensive Review than would be Provided through a Formal Section 851 Application.**

This transaction does not warrant a more comprehensive review than would be required through a formal Section 851 application. The value of the portion of the property being sold that would be attributable to California is not significant.

(12) Additional Information to Assist in the Review of the Advice Letter

This Advice Letter contains all of the necessary information to evaluate this transaction. However, PacifiCorp is prepared to provide such other information as the Commission may require during its review of this Advice Letter.

(13) Environmental Information

a. If the Applicant Believes that the Transaction is Exempt from Environmental Review under a Statutory or Categorical Exemption from CEQA, the Applicant Shall Provide the Following Information:

i. Has the proposed transaction been found exempt from CEQA by another government agency?

This transaction has not been found exempt from CEQA by a government agency.

1. If yes, please attach notice of exemption. Please provide name of agency, date of exemption, and state clearinghouse number.

Not applicable.

2. If no, state specific CEQA exemption(s) PacifiCorp contends apply to the transaction, including citations to the applicable State CEQA Guideline(s) and/or statutes.

This project meets the criteria for categorical exemption as a transfer for purposes of new construction or conversion of small structures. See Cal. Code Regs. tit. 14 §15303.

ii. If the Applicant Believes that the Transaction is not a "Project" under CEQA, the Applicant Shall Include an Explanation of its Position

This transaction is a project under CEQA as an activity undertaken by a public agency. See Cal. Code Regs., tit. 14 §15378(a)(1).

iii. Has Another Agency Completed an Environmental Review but the Commission Should be the Responsible Agency under CEQA?

Not applicable.

EFFECTIVE DATE

If no protests are received, PacifiCorp requests that, in accordance with Cal. Pub. Util. Code §851 and Resolution ALJ-244, as modified by Resolution ALJ-272, this filing be approved by either the Commission's Executive Director or Energy Division Director and therefore submits this Advice Letter as a Tier 2 filing pursuant to General Order 96-B, Energy Industry

Rule 5.2. Pursuant to the review process outlined in Resolution ALJ-244, PacifiCorp requests that this advice filing become effective on March 2, 2012.

PROTESTS

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than February 21, 2012, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
Email: ijnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests should also be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest should also be sent via U.S. mail (and electronically, if possible) to PacifiCorp at the address shown below on the same date it is mailed or delivered to the Commission.

Cathie Allen
Regulatory Affairs Manager
PacifiCorp
825 NE Multnomah, Ste 2000
Portland, OR 97232
Telephone: (503) 813-5934
Email: californiadockets@pacificorp.com

and

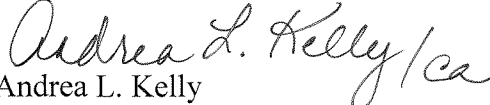
Michelle Mishoe
Legal Counsel
PacifiCorp
825 NE Multnomah, Ste 1800
Portland, OR 97232
Telephone: (503) 813-5977
Email: michelle.mishoe@pacificorp.com

NOTICE

In accordance with General Order 96-B, Section 4, a copy of this advice letter will be served electronically or via U.S. Mail to parties shown on the GO 96-B service list, a copy of which is attached. A request for change of address in the GO 96-B service list should be directed by electronic mail to californiadockets@pacificorp.com. Advice letter filings may also be accessed electronically at www.pacificpower.net/regulation.

Please direct any informal questions to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,


Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: Andrew Barnsdale, CEQA (CPUC) *via email*
Mary Jo Borak, CEQA Supervisor (CPUC)

CERTIFICATE OF SERVICE
CA Advice Distribution List

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have on this 1st of February, 2012, at Portland, OR, provided via email or US mail, a true and correct copy of PacifiCorp's Advice filing No. 465-E to the following:

CA Advice Distribution List

Robert M. Pocta
California Public Utilities Commission
Energy Cost of Service & Natural Gas
Room 4205
505 Van Ness Avenue
San Francisco, CA 94102
rmp@cpuc.ca.gov

Ralph Cavanagh
National Resources Defense Council
111 Sutter St. 20th Floor
San Francisco, CA 94104

Julie Fitch
Director Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Robert Finkelstein
TURN
bfinkelstein@turn.org

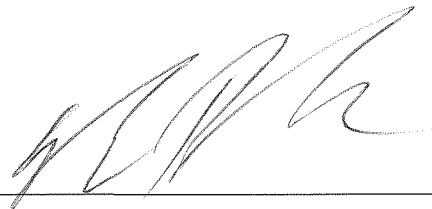
Michael B. Day
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505 Sansome Street, Suite 900
San Francisco, CA 94111
mday@goodinmacbride.com

Michael D. McNamara
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Surprise Valley Electrification
7112 Harry Cash Road
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Alturas, CA 96101

James Wuehler
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jarmstrong@goodinmacbride.com



Erika Platano
Coordinator, Regulatory Operations

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. PacifiCorp dba Pacific Power & Light (U 901 E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Cathie Allen

Phone #: (503) 813-5934

E-mail: californiadockets@pacificcorp.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 465-E

Tier [2]

Subject of AL: Property Transaction Regarding Colstrip-White Property Sale, Request for Approval Under Section 851

Keywords (choose from CPUC listing): Property Transaction

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution ALJ-244, Resolution ALJ-272, and General Order 96-B

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Resolution Required? Yes No

Requested effective date: March 2, 2012

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Utility Info (including e-mail)
Cathie Allen
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
E-mail: californiadockets@pacificcorp.com**

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Agreement for Sale and Purchase of Real Property

COPY

AGREEMENT FOR SALE AND PURCHASE OF REAL PROPERTY
(Lot Sale)

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged, the undersigned,

COLSTRIP COMM SERV, LLC
303 North Broadway, Suite 400
Billings, MT 59101

on behalf of itself, and as Agent for Puget Sound Energy, Inc., NorthWestern Corporation d/b/a NorthWestern Energy, PacifiCorp, d/b/a in Montana as Pacific Power & Light Company, Portland General Electric Company, and Avista Corporation., hereinafter collectively referred to as Seller, and

Jason A. and Shanna C. White
2567 Chisholm Drive
Colstrip, MT 59323

hereinafter referred to as Buyer, AGREE:

1. DESCRIPTION OF PROPERTY. Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase from Seller, real property in Rosebud County, Montana herein referred to as the "Property," described as follows:

**Lot 23, Block 7, Amended Plat of Stillwater Subdivision, Rosebud County, Montana
According to the official plat thereof on file and of record in the office of the Clerk and
Recorder of said County, under Document No. 40611**

2. PURCHASE PRICE. Buyer agrees to pay Seller for the Property the sum of Eleven Thousand Five Hundred Dollars and no/100 (\$11,500.00) payable in the following manner:

Purchase Price-----\$11,500.00
Less Earnest Money Deposit-----(\$ 500.00)
Total due in Cash to Seller at Closing-----\$11,000.00

3. TAXES. Seller agrees to pay all real estate taxes and installments of special improvement district assessments relating to the Property for 2011 and prior years. Taxes and the installment of special improvement district assessments for the year 2012(year of closing) shall be prorated as of the date of closing. Buyer shall assume the obligation for payment of all taxes and installments of special improvement district assessments on or relating to the Property for 2012(year of closing) and subsequent years, which become due after the date of closing, and which have not been paid at or prior to closing.

4. POSSESSION. Seller shall transfer possession of the Property to Buyer upon receipt of the payment due pursuant to paragraph 2 above, and execution of the Deed by Buyer.

5. DEED. Concurrently with receipt by Seller of the balance of the purchase price, Seller agrees to execute and deliver to Buyer a Deed, in the form of Exhibit "A" attached hereto, conveying title to the Property, free and clear of all liens and encumbrances against the property created by Seller, and subject to those matters excepted in Exhibit "A".

6. DISCLOSURES; INDEMNITY FROM BUYER TO SELLER.

Buyer hereby acknowledges receipt of a copy of the reports listed on Exhibit "B" hereto pertaining to conditions in the area, or to recommendations for construction on, or maintaining, the Property as of the report date.

Buyer expressly acknowledges and affirms that Seller has advised Buyer:

(a) the soils located on the Property are moisture sensitive and can undergo moderate to large settlements upon loading and wetting;

(b) to not place or have vegetation within a strip of land at least five (5) feet around any building or structure subsequently constructed or located on the Property, and not irrigate, sprinkle, or water, or allow precipitation drainage to discharge within such strip of land;

(c) to ensure that surface drainage conditions are such as to actually remove surface waters away from any building or structure subsequently constructed or located on the Property;

(d) differential settlement may occur to this Property and that such settlement may result in serious damage to the Property, including any building or structure subsequently constructed or located on the Property; and

(e) to obtain advice from qualified experts in regard to constructing or locating any building or structure on the Property, including, without limitation, such advice regarding soils analysis/testing, construction materials or methods or drainage.

Seller hereby grants Buyer fifteen (15) days to further examine the reports and further inspect the Property itself or by such agents and representatives as it chooses (all at Buyer's expense) and if Buyer notifies Seller prior to the end of such fifteen (15) day period that Buyer withdraws from the purchase, the earnest money shall be returned to Buyer and this Agreement will be terminated without further obligation of either party.

Buyer further expressly acknowledges and affirms that Seller has disclosed to Buyer, and Buyer is fully aware that:

(a) Surface coal mining activity is conducted in the area (including Western Energy Company's Rosebud mine), with blasting, dust, vibrations and noise associated therewith. Buyer further acknowledges that the permits for such mining activities are available for review by Buyer at the Forsyth Public Library, 201 N. 9th Avenue, Forsyth, Montana, or at the Montana Department of Environmental Quality Office in the cities of Billings at Airport Industrial Park, 1500 N. 30th Street or in Helena at 1625 Eleventh Avenue.

(b) Power plants (Colstrip Units 1, 2, 3, and 4) are operated in the area, with release of water vapor, stack emissions, and noise, as well as the transmission of high voltage electric power, associated therewith.

(c) Various ponds, including the surge pond (also known as Castle Rock Lake) are utilized in the operation of the power plants or coal mines, with possible seepage associated therewith.

BUYER FURTHER EXPRESSLY ACKNOWLEDGES AND AFFIRMS THAT SELLER HAS BARGAINED FOR AND WILL SELL THE PROPERTY ONLY: (1) ON AN "AS IS CONDITION" BASIS; AND (2) EXPRESSLY EXCLUDING ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION TO THE MAXIMUM EXTENT ALLOWED BY LAW, ANY AND ALL WARRANTIES OF HABITABILITY, WORKMANSHIP, ADEQUACY OR FITNESS FOR PURPOSE OR CONDITION OF THE PROPERTY OR ANY DEVELOPMENT MADE THERETO.

SELLER EXPRESSLY MAKES NO REPRESENTATION, WARRANTY OR COVENANT AS TO: (1) THE ACCURACY OR THOROUGHNESS OF ANY OF THE REPORTS LISTED ON EXHIBIT "B"; (2) THE WORKMANSHIP, ADEQUACY, FITNESS OR QUALITY OF THE PROPERTY; (3) THE WORKMANSHIP, ADEQUACY, FITNESS OR QUALITY OF ANY DEVELOPMENT PERFORMED TO THE PROPERTY PRIOR TO CLOSING; OR (4) THE EXTENT OR NATURE OF ANY DAMAGES AND/OR DEFECTS ASSOCIATED WITH THE PROPERTY.

BUYER FURTHER AGREES THAT IF BUYER DECIDES TO SUBSEQUENTLY REMODEL, CONSTRUCT OR LOCATE ANY BUILDING OR STRUCTURE ON THE PROPERTY, BUYER SHALL BE SOLELY RESPONSIBLE FOR ALL WORK ASSOCIATED WITH SUCH REMODELING, CONSTRUCTION OR LOCATION, INCLUDING WITHOUT LIMITATION, SOILS TESTING, ENGINEERING, SPECIFICATIONS, DESIGNS, LABOR, MATERIALS, AND INSPECTIONS. SELLER EXPRESSLY MAKES NO REPRESENTATION REGARDING THE ADEQUACY OF THE PROPERTY FOR ANY SUCH BUILDING OR STRUCTURE.

BUYER ACKNOWLEDGES AND AGREES THAT, IN CLOSING THIS AGREEMENT, BUYER IS RELYING SOLELY ON BUYER'S INDEPENDENT INVESTIGATION OF THE CONDITION, ADEQUACY, FITNESS, QUALITY AND WORKMANSHIP OF THE PROPERTY AND ANY DEVELOPMENT THERETO.

BUYER FURTHER AGREES THAT, BY CLOSING THE AGREEMENT AND EXECUTING AND ACCEPTING THE DEED, BUYER, FOR BUYER AND ALL SUBSEQUENT OWNERS, GRANTEEES, LESSEES, LIENHOLDERS AND ENCUMBRANCERS, AND THEIR HEIRS, SUCCESSORS, AND ASSIGNS;

(A) FULLY ACCEPTS THE PROPERTY IN ITS "AS IS CONDITION,"

AND

(B) TO THE MAXIMUM EXTENT ALLOWED BY LAW, WILL INDEMNIFY AND SAVE HARMLESS SELLER (WHICH FOR THE PURPOSE OF THIS PARAGRAPH 6 INCLUDES, IN ADDITION, EACH OF THE OWNERS, LESSEES AND OPERATORS OF COLSTRIP UNITS 1, 2, 3 AND 4 AND EACH OF THE OWNERS, LESSEES AND OPERATORS OF THE COAL MINES, INCLUDING WESTERN ENERGY COMPANY'S ROSEBUD MINE, AND EACH OF THE RESPECTIVE SUCCESSORS AND ASSIGNS OF EACH OF THE FOREGOING) FROM ANY AND ALL CLAIMS, COSTS, DAMAGES, OR EXPENSES, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, WHICH ARE KNOWN AND UNKNOWN, DIRECT AND INDIRECT, INCIDENTAL AND CONSEQUENTIAL, RESULTING FROM OR RELATING TO THE PRESENT OR FUTURE CONDITION OF THE PROPERTY, BASED UPON ANY THEORY THEREOF, INCLUDING TORT, CONTRACT, STATUTE OR COMMON LAW WHICH BUYER MAY HAVE, INCLUDING BUT NOT LIMITED TO ANY MATTERS RELATING DIRECTLY OR INDIRECTLY TO ANY OF THE OPERATIONS AND ACTIVITIES OF SELLER, REGARDLESS OF THE NEGLIGENCE OR STRICT LIABILITY OF SELLER, FOR THE PAST OPERATION OR CONTINUED OPERATION OF THE POWER PLANTS (INCLUDING, WITHOUT LIMITATION COLSTRIP UNITS 1, 2, 3, AND 4), COAL MINES, OR VARIOUS PONDS, BUT EXPRESSLY EXCLUDING WILLFUL MISCONDUCT OR GROSS NEGLIGENCE BY SELLER.

THE BURDENS AND BENEFITS OF THIS PARAGRAPH 6 ARE AND, TO THE MAXIMUM EXTENT ALLOWED BY LAW, SHALL BE CONSTRUED TO BE, COVENANTS RUNNING WITH THE LAND. ANY AND ALL PARTIES HEREAFTER ACQUIRING AN INTEREST IN THE PROPERTY THEREBY ASSUMES ALL OF THE BURDENS AND BENEFITS OF THIS PARAGRAPH 6.

IF ANY PROVISION, COVENANT OR CONDITION (HEREAFTER CALLED TERMS) OF THIS PARAGRAPH 6 IS HELD INVALID, VOID, UNENFORCEABLE, OR LIMITED IN APPLICATION BY A COURT OF COMPETENT JURISDICTION, THE REMAINDER OF THE TERMS AND THE NON-LIMITED APPLICATION OF THE TERMS SHALL REMAIN IN FULL FORCE AND EFFECT. IF SUCH COURT ACTION SHALL BIND LESS

THAN ALL PARTIES DEFINED AS SELLER IN THIS PARAGRAPH 6 THOSE REMAINING PARTIES MAY ENFORCE EACH AND EVERY TERM OF THIS PARAGRAPH.

The parties intend and agree that this paragraph 6 shall continue and survive the delivery of the Deed and shall be incorporated in the Deed by reference.

7. TITLE EVIDENCE. Within a reasonable time after the execution of this Agreement, Seller shall furnish title evidence to the Property in the form of a commitment for a standard owner's policy of title insurance in an amount not less than the purchase price showing that Seller's title is free and clear of liens, encumbrances, and title defects, excepting the usual printed exceptions contained in the commitment, the matters set forth in Exhibit "A," and any title defects arising after the date of the Agreement which are not attributable to Seller. Should Buyer's examination (at Buyer's expense) of the title commitment disclose title irregularities beyond the permitted exceptions described above, which render the title unmerchantable, then Seller shall proceed with reasonable diligence at Seller's expense to correct the same if such irregularities are specified in a written opinion delivered to Seller on or before thirty (30) days after the title commitment has been made available to Buyer. If, on the closing date, Seller has been unable to cure or remove any such title irregularities specified in the written opinion, then this Agreement may be rescinded at the option of either party hereto, by written notice to the other party, and the earnest money referred to in paragraph 2 shall be refunded to Buyer. In the event this Agreement is not rescinded in accordance with the preceding sentence, then by acceptance of the Deed the Buyer will waive such irregularities and be deemed to accept title to the Property subject to such irregularities.

8. CLOSING. Closing of the sale and purchase shall be held on or before ninety (90) days from the date of the Agreement at the financial institution of Buyer's choice or at such other place as is mutually agreed upon by the parties.

9. REMEDIES UPON DEFAULT.

(a) If Seller fails to consummate this Agreement in accordance with its terms for any reason within the control of Seller, Buyer shall have as Buyer's sole and only remedy, the right to terminate the Agreement in which event Buyer shall be entitled to (i) the return of the earnest money specified in paragraph 2, and (ii) the payment by Seller to Buyer of an additional sum equal to the earnest money specified in paragraph 2 as liquidated damages for Seller's breach of this Agreement.

(b) If Buyer fails to consummate this Agreement in accordance with its terms for any reason within the control of Buyer, Seller shall have as Seller's sole and only remedy, the right to terminate the Agreement and retain the earnest money specified in paragraph 2, as liquidated damages for Buyer's breach of this Agreement.

(c) The parties agree that the actual damages for such breach by either party are uncertain and would be difficult, if not impossible, to ascertain.

10. NOTICE. Any notice to be given hereunder shall be in writing and shall either be served upon a party personally, or served by registered or certified mail, return receipt requested, directed to the party to be served at their respective addresses stated on the first page of this Agreement. Notice served by mail shall be deemed complete when deposited in the United States mail, postage prepaid. A party wishing to change his designated address shall do so by notice in writing to the other party. Rejection or other refusal to accept notice, or the inability to deliver notice because of changed address of which no notice was given, shall be deemed to be receipt of the notice.

11. INDEPENDENT INVESTIGATION. Buyer will complete an independent investigation of the Property within fifteen (15) days from the date of this Agreement. If Buyer does not rescind this Agreement within such fifteen (15) day period, Buyer will have confirmed this Agreement, placing full reliance upon Buyer's independent investigation. Buyer understands and agrees that there are no representations, warranties, or covenants other than those expressly made by Seller herein.

12. ENTIRE AGREEMENT. This Agreement embodies the entire Agreement between the parties, and supersedes all prior negotiations, understandings and agreements, if any, relating to the Property. This Agreement may be amended, modified, or supplemented only by an instrument in writing duly executed by both parties hereto.

13. TIME. Time is of the essence of this Agreement.

14. ASSIGNMENT AND BINDING EFFECT. This Agreement shall not be assigned by Buyer, in whole or in part, without the prior written consent of the Seller. Otherwise, this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement the date(s) listed below.

SELLER:

Date: 10/20/2011

COLSTRIP COMM SERV, LLC
on its own behalf and as Agent for
a) PUGET SOUND ENERGY, INC.
b) NORTHWESTERN ENERGY
c) PACIFICORP
d) PORTLAND GENERAL ELECTRIC COMPANY
e) AVISTA CORPORATION

By David B. Kinnard
David B. Kinnard
Vice-President and General Counsel

Date: 12/19/2011

BUYER:
By Jason A. White
Jason A. White

By Shanna C. White
Shanna C. White

EXHIBIT "A"

GRANT DEED

FOR VALUABLE CONSIDERATION, the receipt of which is acknowledged, the undersigned,

COLSTRIP COMM SERV, LLC, a Delaware limited liability company
303 North Broadway, Suite 400
Billings, MT 59101

And

PUGET SOUND ENERGY, INC., a Washington corporation
formerly Puget Sound Power and Light Co.
10885 NE 4th Street (PSE-10S)
Bellevue, WA 98009-9734

And

NorthWestern Corporation d/b/a NorthWestern Energy
a Delaware corporation
40 East Broadway
Butte, MT 59701

And

PACIFICORP, an Oregon corporation
d/b/a (in Montana) as Pacific Power & Light Company
825 NE Multnomah
Portland, OR 97232

And

AVISTA CORPORATION, a Washington corporation
P.O. Box 3727
Spokane, WA 99220

And

PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation
121 SW Salmon Street
Portland, OR 97204

hereafter collectively referred to as Grantor,

HEREBY GRANTS UNTO

JASON A. WHITE
SHANNA C. WHITE
2567 Chisholm Drive
Colstrip, MT 59323

hereafter called Grantee, as joint tenants, with rights of survivorship, real property in Rosebud County, Montana, described as follows:

**Lot 23, Block 7, Amended Plat of Stillwater Subdivision, Rosebud County, Montana,
according to the official plat thereof on file and of record in the office of the Clerk and
Recorder of said County, under Document No. 40611**

Signed by:

PUGET SOUND ENERGY, INC., a Washington corporation
formerly, Puget Sound Power and Light Company

By: _____

Its: _____

STATE OF _____)
: SS.
COUNTY OF _____)

This instrument was acknowledged before me on _____, by _____
known by me to be the _____ of PUGET SOUND ENERGY, INC. formerly Puget Sound Power and Light
Company.

(SEAL)

Signature: _____
Printed Name: _____
Title: _____
Residing at: _____
My Commission Expires: _____
month/day/four digit year

Signed by:

NORTHWESTERN CORPORATION, d/b/a NORTHWESTERN
ENERGY, a Delaware corporation

By: _____

Its: _____

STATE OF _____)
: SS.
COUNTY OF _____)

This instrument was acknowledged before me on _____, by _____ known
by me to be the _____ of NORTHWESTERN CORPORATION d/b/a NORTHWESTERN ENERGY.

(SEAL)

Signature: _____
Printed Name: _____
Title: _____
Residing at: _____
My Commission Expires: _____
month/day/four digit year

Signed by:

PACIFICORP, an Oregon corporation
d/b/a (in Montana) as Pacific Power & Light Company

By: _____

Its: _____

STATE OF _____)
: SS.
COUNTY OF _____)

This instrument was acknowledged before me on _____, by _____ known
by me to be the _____ of PACIFICORP.

(SEAL)

Signature: _____
Printed Name: _____
Title: _____
Residing at: _____
My Commission Expires: _____
month/day/four digit year

Signed by:

AVISTA CORPORATION
a Washington corporation

By: _____

Its: _____

STATE OF _____)
: SS.
COUNTY OF _____)

This instrument was acknowledged before me on _____, by _____ known
by me to be the _____ of AVISTA CORPORATION.

(SEAL)

Signature: _____
Printed Name: _____
Title: _____
Residing at: _____
My Commission Expires: _____
month/day/four digit year

Signed by:

PORTLAND GENERAL ELECTRIC COMPANY
an Oregon corporation

By: _____
Its: _____

STATE OF _____)
: SS.
COUNTY OF _____)

This instrument was acknowledged before me on _____, by _____ known
by me to be the _____ of PORTLAND GENERAL ELECTRIC COMPANY.

(SEAL)

Signature: _____
Printed Name: _____
Title: _____
Residing at: _____
My Commission Expires: _____
month/day/four digit year

Signed by:

GRANTEE:

By _____
Jason A. White

By _____
Shanna C. White

STATE OF _____)
:SS
COUNTY OF _____)

This instrument was acknowledged before me on _____, by Jason A. White and Shanna C. White.

(SEAL)

Signature: _____
Printed Name _____
Notary Public for the State of Montana
Residing at: _____
My Commission Expires: _____
month/day/four digit year

EXHIBIT 1 TO DEED

6. DISCLOSURES; INDEMNITY FROM BUYER TO SELLER.

Buyer hereby acknowledges receipt of a copy of the reports listed on Exhibit "B" hereto pertaining to conditions in the area, or to recommendations for construction on, or maintaining, the Property as of the report date.

Buyer expressly acknowledges and affirms that Seller has advised Buyer:

- (a) the soils located on the Property are moisture sensitive and can undergo moderate to large settlements upon loading and wetting;
- (b) to not place or have vegetation within a strip of land at least five (5) feet around any building or structure subsequently constructed or located on the Property, and not irrigate, sprinkle, or water, or allow precipitation drainage to discharge within such strip of land;
- (c) to ensure that surface drainage conditions are such as to actually remove surface waters away from any building or structure subsequently constructed or located on the Property;
- (d) differential settlement may occur to this Property and that such settlement may result in serious damage to the Property, including any building or structure subsequently constructed or located on the Property; and
- (e) to obtain advice from qualified experts in regard to constructing or locating any building or structure on the Property, including, without limitation, such advice regarding soils analysis/testing, construction materials or methods or drainage.

Seller hereby grants Buyer fifteen (15) days to further examine the reports and further inspect the Property itself or by such agents and representatives as it chooses (all at Buyer's expense) and if Buyer notifies Seller prior to the end of such fifteen (15) day period that Buyer withdraws from the purchase, the earnest money shall be returned to Buyer and this Agreement will be terminated without further obligation of either party.

Buyer further expressly acknowledges and affirms that Seller has disclosed to Buyer, and Buyer is fully aware that:

- (a) Surface coal mining activity is conducted in the area (including Western Energy Company's Rosebud mine), with blasting, dust, vibrations and noise associated therewith. Buyer further acknowledges that the permits for such mining activities are available for review by Buyer at the Forsyth Public Library, 201 N. 9th Avenue, Forsyth, Montana, or at the Montana Department of Environmental Quality Office in the cities of Billings at Airport Industrial Park, 1500 N. 30th Street or in Helena at 1625 Eleventh Avenue.
- (b) Power plants (Colstrip Units 1, 2, 3, and 4) are operated in the area, with release of water vapor, stack emissions, and noise, as well as the transmission of high voltage electric power, associated therewith.
- (c) Various ponds, including the surge pond (also known as Castle Rock Lake) are utilized in the operation of the power plants or coal mines, with possible seepage associated therewith.

BUYER FURTHER EXPRESSLY ACKNOWLEDGES AND AFFIRMS THAT SELLER HAS BARGAINED FOR AND WILL SELL THE PROPERTY ONLY: (1) ON AN "AS IS CONDITION" BASIS; AND (2) EXPRESSLY EXCLUDING ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION TO THE MAXIMUM EXTENT ALLOWED BY LAW, ANY AND ALL WARRANTIES OF HABITABILITY, WORKMANSHIP, ADEQUACY OR FITNESS FOR PURPOSE OR CONDITION OF THE PROPERTY OR ANY DEVELOPMENT MADE THERETO.

Initial _____ / _____

SELLER EXPRESSLY MAKES NO REPRESENTATION, WARRANTY OR COVENANT AS TO: (1) THE ACCURACY OR THOROUGHNESS OF ANY OF THE REPORTS LISTED ON EXHIBIT "B"; (2) THE WORKMANSHIP, ADEQUACY, FITNESS OR QUALITY OF THE PROPERTY; (3) THE WORKMANSHIP, ADEQUACY, FITNESS OR QUALITY OF ANY DEVELOPMENT PERFORMED TO THE PROPERTY PRIOR TO CLOSING; OR (4) THE EXTENT OR NATURE OF ANY DAMAGES AND/OR DEFECTS ASSOCIATED WITH THE PROPERTY.

BUYER FURTHER AGREES THAT IF BUYER DECIDES TO SUBSEQUENTLY REMODEL, CONSTRUCT OR LOCATE ANY BUILDING OR STRUCTURE ON THE PROPERTY, BUYER SHALL BE SOLELY RESPONSIBLE FOR ALL WORK ASSOCIATED WITH SUCH REMODELING, CONSTRUCTION OR LOCATION, INCLUDING WITHOUT LIMITATION, SOILS TESTING, ENGINEERING, SPECIFICATIONS, DESIGNS, LABOR, MATERIALS, AND INSPECTIONS. SELLER EXPRESSLY MAKES NO REPRESENTATION REGARDING THE ADEQUACY OF THE PROPERTY FOR ANY SUCH BUILDING OR STRUCTURE.

BUYER ACKNOWLEDGES AND AGREES THAT, IN CLOSING THIS AGREEMENT, BUYER IS RELYING SOLELY ON BUYER'S INDEPENDENT INVESTIGATION OF THE CONDITION, ADEQUACY, FITNESS, QUALITY AND WORKMANSHIP OF THE PROPERTY AND ANY DEVELOPMENT THERETO.

BUYER FURTHER AGREES THAT, BY CLOSING THE AGREEMENT AND EXECUTING AND ACCEPTING THE DEED, BUYER, FOR BUYER AND ALL SUBSEQUENT OWNERS, GRANTEEES, LESSEES, LIENHOLDERS AND ENCUMBRANCERS, AND THEIR HEIRS, SUCCESSORS, AND ASSIGNS;

(A) FULLY ACCEPTS THE PROPERTY IN ITS "AS IS CONDITION,"

AND

(B) TO THE MAXIMUM EXTENT ALLOWED BY LAW, WILL INDEMNIFY AND SAVE HARMLESS SELLER (WHICH FOR THE PURPOSE OF THIS PARAGRAPH 6 INCLUDES, IN ADDITION, EACH OF THE OWNERS, LESSEES AND OPERATORS OF COLSTRIP UNITS 1, 2, 3 AND 4 AND EACH OF THE OWNERS, LESSEES AND OPERATORS OF THE COAL MINES, INCLUDING WESTERN ENERGY COMPANY'S ROSEBUD MINE, AND EACH OF THE RESPECTIVE SUCCESSORS AND ASSIGNS OF EACH OF THE FOREGOING) FROM ANY AND ALL CLAIMS, COSTS, DAMAGES, OR EXPENSES, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, WHICH ARE KNOWN AND UNKNOWN, DIRECT AND INDIRECT, INCIDENTAL AND CONSEQUENTIAL, RESULTING FROM OR RELATING TO THE PRESENT OR FUTURE CONDITION OF THE PROPERTY, BASED UPON ANY THEORY THEREOF, INCLUDING TORT, CONTRACT, STATUTE OR COMMON LAW WHICH BUYER MAY HAVE, INCLUDING BUT NOT LIMITED TO ANY MATTERS RELATING DIRECTLY OR INDIRECTLY TO ANY OF THE OPERATIONS AND ACTIVITIES OF SELLER, REGARDLESS OF THE NEGLIGENCE OR STRICT LIABILITY OF SELLER, FOR THE PAST OPERATION OR CONTINUED OPERATION OF THE POWER PLANTS (INCLUDING, WITHOUT LIMITATION COLSTRIP UNITS 1, 2, 3, AND 4), COAL MINES, OR VARIOUS PONDS, BUT EXPRESSLY EXCLUDING WILLFUL MISCONDUCT OR GROSS NEGLIGENCE BY SELLER.

THE BURDENS AND BENEFITS OF THIS PARAGRAPH 6 ARE AND, TO THE MAXIMUM EXTENT ALLOWED BY LAW, SHALL BE CONSTRUED TO BE, COVENANTS RUNNING WITH THE LAND. ANY AND ALL PARTIES HEREAFTER ACQUIRING AN INTEREST IN THE PROPERTY THEREBY ASSUMES ALL OF THE BURDENS AND BENEFITS OF THIS PARAGRAPH 6.

Initial ____/____

IF ANY PROVISION, COVENANT OR CONDITION (HEREAFTER CALLED TERMS) OF THIS PARAGRAPH 6 IS HELD INVALID, VOID, UNENFORCEABLE, OR LIMITED IN APPLICATION BY A COURT OF COMPETENT JURISDICTION, THE REMAINDER OF THE TERMS AND THE NON-LIMITED APPLICATION OF THE TERMS SHALL REMAIN IN FULL FORCE AND EFFECT. IF SUCH COURT ACTION SHALL BIND LESS THAN ALL PARTIES DEFINED AS SELLER IN THIS PARAGRAPH 6 THOSE REMAINING PARTIES MAY ENFORCE EACH AND EVERY TERM OF THIS PARAGRAPH.

Initial ____ / ____

EXHIBIT "B"

IDENTIFICATION OF COPIES OF REPORTS DELIVERED TO BUYER/GRANTEE

- I. Narrative portion – “Report of Foundation Investigation Cimarron Neighborhood, Colstrip, Montana,” prepared by Northern Testing Laboratories, Billings, Montana, 1980.
- II. Narrative portion - "Report of Foundation Investigation Castle Rock Lake Neighborhood, Colstrip, Montana," prepared by Northern Testing Laboratories, Billings, Montana, 1980.
- III. Narrative portion - "Report of Geotechnical Studies Proposed Town Expansion, Colstrip, Montana," prepared by Chen and Associates, Inc., Denver, Colorado, 1979.
- IV. Narrative portion - "Ground Water Study, Colstrip, Montana," prepared by Chen and Associates, Denver, Colorado, 1981.
- V. "Assessment of Hydrogeological Conditions in the Cimarron and Castle Rock Lake Housing Areas at Colstrip, Montana," prepared by Hydrometrics, Inc., 1993. Figure 3-1 and Figure 3-2 available upon request.
- VI. "Investigation of Residential Structures, Colstrip, Montana," prepared by CTL/Thompson, Inc., 1991.
- VII. Engineering reports of the Stillwater Subdivision are available for review upon request.

Initial _____/_____