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September 27, 2010

Dr. Philip Powlick, Director
Utah Division of Public Utilities
Heber Wells Building 4th Floor
160 East 300 South
Salt Lake City, Utah 84111

RE: Rocky Mountain Power's Net Power Cost Request in Docket No. 10-035-89

Dear Phil:

On August 3rd, 2010, Rocky Mountain Power (RMP) filed an Application for Alternative Cost Recovery concerning two major additions – a new transmission line (Populous to Ben Lomond) and the Dunlap I wind generation facility. On August 12th, Slater Consulting was engaged to evaluate and analyze Rocky Mountain Power's requested change in Net Power Costs (NPC) that were claimed as the direct result of the Company's additions, that is, the new transmission line and the new wind generating facility. RMP's requested change in Net Power Costs was presented in the testimony of Dr. Hui Shu, and is a total system reduction of \$9.4 million¹, or approximately \$3.8 million for Utah.

Development of NPC Impact

Dr. Shu based the claimed decrease in NPC on results from the GRID model and the Commission ordered NPC from the Company's most recent rate case – Docket No. 09-035-23². She then modified this GRID case by including the capacity reduction resulting from the installation of the new Dave Johnston unit 3 scrubber (Docket No. 10-035-13)³. This addition established the NPC base case for the computation of the impacts of the two additions that are the subject of this case. Ms. Shu then developed two additional GRID cases (for the transmission line addition and the Dunlap I addition) and the resulting NPC impacts.

The attached table summarizes the results of the Company's GRID studies.

Populous to Ben Lomond Transmission Segment

The Populous to Ben Lomond transmission addition, combined with the Terminal to Ben Lomond segment that was the subject of Docket No. 10-035-13, provides

¹ See line 58 on page 3 of Dr. Shu's direct testimony.

² See lines 43-44 on page 2 of Dr. Shu's direct testimony

³ See lines 45-47 on page 2 of Dr. Shu's direct testimony

significant additional transfer capability within the PacifiCorp system. In her testimony, Ms. Shu claims that the addition will increase the transfer capacity from southeast Idaho to northern Utah by approximately 650 megawatts⁴. Initially there was some confusion as to the source for this 650 megawatt transfer capacity increase, but the Company has now provided transfer capability studies supporting the claimed increase. The 650 megawatts is the increase in the WECC approved capacity rating with the new segment in place (1,600 megawatts) over the previously approved WECC rating (950 megawatts)⁵.

I have verified that the GRID data for the Populous to Ben Lomond addition was modified correctly to increase the Path C transfer capability by 650 megawatts. Within this GRID study, Ms. Shu also removed a link from the original GRID data known as the Idaho to Path C STF link. In response to a data request, the Company claims that this STF link is no longer needed in GRID, given the additional Path C transfer capability⁶. In any case, the NPC impact of this issue is small – less than \$30,000 on a system basis.

Dunlap I Wind Facility

Dunlap I is a 111 megawatt wind farm developed by PacifiCorp and was selected as the winning offer in the Company's 2009R RFP. I have verified that the GRID data used to develop the NPC impact of Dunlap I was properly modified to include Dunlap I as a 111 megawatt power purchase, and that the wind integration charge used for Dunlap I is based on the Commission approved rate of \$6.62 per megawatt-hour.

A capacity factor of 36.4% was utilized in the GRID modeling for Dunlap I. A question arose as to whether this capacity factor was consistent with the capacity factor used in the evaluation of Dunlap I versus other projects bid in the 2009R RFP. On page 8 of Exhibit RMP (SAB-4), the capacity factor for Dunlap 1 is given as 38.8%. However, the Company has verified that a capacity factor of 36.4% was used to evaluate the project in the RFP process⁷.

Conclusions & Recommendations

The Company's requested reduction of \$9.4 million in Net Power Costs is a reasonably accurate approximation of the cost reductions that will be incurred from the addition of the Populous to Ben Lomond transmission line and the addition of the Dunlap I wind facility.

In future Rocky Mountain Power rate cases, we recommend that the Division verify the following:

- Actual energy production of the Dunlap I project compares reasonably well with the 36.4% capacity factor assumption used in this case.
- The Company continues to utilize the 1,600 megawatt transfer limit for Path C.

⁴ See lines 29-33 on page 2 of Ms. Shu's testimony

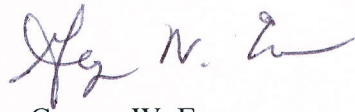
⁵ See RMP's response to OCS Data Request 4.2

⁶ See RMP's response to OCS Data Request 2.1

⁷ See RMP's response to DPU Data Request 4.5

Let me know if you have any questions on these issues, or need any additional information regarding these issues.

Sincerely,

A handwritten signature in dark ink, appearing to read "G. W. Evans", with a stylized flourish at the end.

George W. Evans
Vice President