RMP 2014 GRC Filing Requirements

R746-700-20.c.5.a

Information: Information for recurring regulatory adjustments, such as amortizations, indicating compliance with past Commission orders for any item included in the filing.

Response to R746-700-20.C.5.a

Adjustment 3.3 - SO2 Emission Allowance - The Environmental Protection Agency has established guidelines that govern the volume of sulfur dioxide (SO2) that can be emitted from the power plants and granted the issuance of SO2 emission allowances to cover each ton emitted. Plants that are not in compliance with EPA guidelines may purchase emission allowances from other companies that have excess allowances. The Utah Commission ruled in Docket No. 97-035-01 that all proceeds from the sale of these allowances should be amortized over four years.

Adjustment 3.4 – Renewable Energy Credit (REC) Revenue - Renewable energy credits (RECs) represent the environmental attributes of power produced from renewable energy facilities. RECs can be detached and sold separately from the electricity commodity. RECs may also be applied to meet renewable portfolio standards (RPS) in various states. Currently, California (CA), Oregon (OR), and Washington (WA) have renewable portfolio standards. As such, the Company does not sell RECs that are eligible for CA, OR, or WA RPS compliance. Instead, the Company uses these RECs to comply with current year or future year RPS requirements. This adjustment restates REC revenues to projected test period levels and reallocates OR, CA, and WA SG factor amounts for the 12 months ended June 2015 to the Company's other jurisdictions, consistent with the agreement with the Multi-State Process (MSP) standing committee.

This adjustment reflects all projected REC revenue for the test period and does not exclude the ten percent incentive addressed in Docket No. 11-035-200. The ten percent incentive will be accounted for in the REC Balancing Account (RBA) pursuant to the stipulation in Docket No. 11-035-200.

Adjustment 3.5 - Joint Use Revenue – This adjustment reflects a change to Joint Use Revenue - Schedule 4 resulting from a proposed decrease in the per pole attachment rate from $6.33 to $5.76. The amount proposed by the Company is calculated in accordance with Commission Rule R746-345-5.

Adjustment 4.4 - Remove Non-Recurring Expense - Certain accounting entries were made to expense accounts during the 12 months ended June 2013 that are non-recurring in nature or relate to a prior period. These transactions are removed from results to normalize test period results. A description of each item is provided on page 4.4.1.

This adjustment also removes from unadjusted results amounts related to the Pilot Solar Incentive Program (CY 2007 through 2012) that was approved in Docket No. 07-035-T14 and extended through 2012 in Docket No.11-035-104.

Adjustment 4.6 - DSM-Revenue and Expense Removal - This adjustment removes 12 months ended June 2013 amortization expense associated with the Company's Demand-side Management (DSM) programs consistent with the Order in Docket No. 09-035-27. The 12 months ended June 2013 revenues are removed through adjustment no. 3.1. DSM program costs are recovered in each state through separate tariff riders.

Adjustment 4.7 – Insurance Expense – This adjustment normalizes injuries and damages expense to reflect a three year average of gross expense net of insurance using the cash method, consistent with the Utah Commission ruling in Docket No. 07-035-93. This adjustment also removes expense entries related to the California Catastrophic Event Memorandum Account (CEMA) from results that are being recovered through a tariff rider in California. In addition, this adjustment removes an out of period correction to injuries and damages expense from unadjusted results. During the 12 months ended June 2013, the Company continued to accrue $179,353 per month for property damages, consistent with the amount included in the 11-035-200 filing.

Adjustment 4.8 - Generation Overhaul Expense - This adjustment normalizes generation overhaul expenses in the 12 months ended June 2013 using a four-year average methodology. For the new Lake Side 2 generating unit scheduled to go into service in June 2014, the four-year average is comprised of the pro forma overhaul expense for the first four full years the plant is operational. Annual expenses are restated to June 2013 dollars prior to averaging consistent with the Company's rebuttal filing in Docket No. 10-035-124 and the Company's initial filing in Docket No. 11-035-200.

Adjustment 4.10 - Naughton Write-off - As stipulated in Docket No. 11-035-200, recovery for Utah's allocated share of the Naughton unit 3 development cost is to be deferred and fully amortized by September 1, 2014, prior to the effective date of this general rate case. Therefore, this adjustment removes the regulatory asset, related amortization, and the write-off associated with this deferral occurring during the 12 months ended period June 2013.

Adjustment 6.3 – Depreciation Study - This adjustment incorporates items from the depreciation study stipulation in Utah Docket No. 13-035-02. The impact of the new rates from January 2014 to August 2014 are deferred and amortized until June 2031. This adjustment includes the amortization from September 2014 to June 2015. This adjustment also reflects the reserve giveback credit, the incremental change in vehicle depreciation expense in test period results and the test period change in hydro decommissioning accrual amounts.

Adjustment 7.5 – Repairs Deduction Deferred Accounting - As a result of a Utah regulatory order in Docket No.'s 09-035-03 and 09-035-23, a regulatory liability equal to the revenue requirement for the difference in the deduction for repairs recognized in regulatory results versus recognized for tax return purposes for 2009 and 2010 years will be included in rate base and amortized. Consistent with the Company's position in the 11-035-200 general rate case, this item is being amortized over one year beginning October

12, 2012, given its direction and amount. The amortization completed in May 2013. This adjustment reflects the removal of the 13 month average balance at June 2013

Adjustment 8.8 – Powerdale Hydro Removal - This adjustment removes costs related to the Powerdale hydroelectric plant from results. Powerdale was decommissioned after it was damaged by a flood in November 2006. Deferred accounting for the unrecovered plant balance was authorized by the Utah Public Service Commission in Docket No. 07-035-14. Also, in Docket No. 07-035-93, the Commission authorized the Company to defer decommissioning costs to a regulatory asset, which was fully amortized in March 2010. However, in Docket No. 10-035-124, the Company agreed to true-up the decommissioning estimate authorized in Docket No. 07-035-93. The difference between the decommissioning expense estimates used in the two cases was amortized over two years, ending June 30, 2013.

Adjustment 8.9 - Regulatory Asset Amortization - This adjustment walks regulatory assets forward from the base period to the test period, replacing rate base and amortization expense in the base period with that in the test period. The regulatory assets affected by UT Commission order are as follows:

- Cholla Transaction Cost - UT Docket 97-035-01
- Pension Measurement Date Change – Utah Docket 08-035-93
- Electric Plant Acquisition Adjustment – Utah Docket 91-035-17 and FERC authorization
- Weatherization Regulatory Assets – Utah Docket 92-2035-04
- Utah Independent Evaluator Fee - Letter from UPSC

Adjustment 8.10 - Customer Service Deposits - Utah requires the Company to include customer service deposits as a reduction to rate base. This adjustment also includes the interest paid on customer service deposits. This treatment was stipulated in Utah Docket No. 97-035-01 and has been upheld in subsequent dockets.

Adjustment 8.11 – Klamath Hydroelectric Settlement Agreement Adjustment - This adjustment accounts for certain test period items related to the Klamath Hydroelectric Settlement Agreement (KHSA). As per the stipulation in Docket No. 11-035-200, the Company is allowed to depreciate the Klamath Dam facilities through December 2022. This adjustment removes the accelerated accumulated depreciation associated with the existing Klamath facilities that was booked starting January 1, 2011. Adjustment 6.1 removes the offsetting accelerated depreciation expense included in the base period and reflects test period depreciation expense at approved levels through 2022. Adjustment 8.6 includes the pro forma plant additions for the test period. This adjustment also removes from results the relicensing and process cost intangible asset along with the associated accumulated amortization balance and the booked amortization expense for this item. Amortization expense for the relicensing and process costs are reflected in test period results through this adjustment using the methodology approved in Docket No. 11-035-200, i.e., amortization through 2022 and a carrying charge at the long-term cost of debt..

Adjustment 8.13 – Carbon Plant - As described in the Company's application in Docket No. 12-035-79, the Carbon plant (a coal-fired generation facility located in Carbon County, Utah) is scheduled to be retired in early 2015 to comply with environmental and air quality regulations. In Docket No. 12-035-79, the Company requested approval to transfer the net book value of the Carbon plant to a regulatory asset once the facility is retired and to amortize the regulatory asset through 2020, the remaining depreciable life of the facility. This matter was addressed in the Company's 2012 general rate case (Docket No. 11-035-200). In that proceeding, stipulating parties agreed to the Company's proposal in Docket 12-035-79 to transfer the remaining plant balance at the time of retirement to a regulatory asset and amortization of the balance through 2020. In Docket No. 13-035-02, depreciation rates for Carbon were established effective January 1, 2014, to fully depreciate plant by April 2015. These are reversed in this adjustment.

Adjustment 8.15 – Bridger & Naughton Liquidated Damages - This adjustment includes in the test period the regulatory asset and amortization for liquidated damages payments received by the Company for the Bridger and Naughton facilities as agreed to by parties and approved by the Commission in Docket No. 13-035-32 (2012 Utah EBA). The regulatory asset represents Utah's share of the liquidated damages payments, the value of which were passed through to customers as an adjustment to the 2012 EBA as opposed to being included in results as a credit to electric plant in service. As specified in Docket No. 13-035-32, the amortization period for the regulatory asset is 20 years beginning January 1, 2014.