INTRODUCTION

Rocky Mountain Power has adopted the definition of cash working capital proposed by FERC in its Notice of Proposed Rulemaking (NOPR) on "Calculation of Cash Working Capital Allowance for Electric Utilities," Docket No. RM84-9-000, issued April 5, 1984. In this NOPR, FERC indicates that cash working capital is the amount of cash needed on-hand by a public utility to pay its day-to-day operating expenses, for the time period during which the utility has provided electric service to its customers and has not yet received payment for that service. If, on average, the time difference between providing service and collecting the associated revenue exceeds the time difference between providing service and paying the associated expenses, the utility experiences a "net revenue receipt lag." This requires funding a working cash balance. On the other hand, if the lag in payment of expenses is longer than the lag in collection revenues the utility experiences a "net expense payment lag," meaning the collection of revenues occurs in advance of paying expenses. A utility experiencing a "net revenue receipt lag" requires working cash in its revenue requirement.

Cash working capital allowance describes the permissible net addition to rate base to reflect borrowed or investor-supplied working cash. With respect to the method of calculation of cash working capital, the FERC NOPR states that "a fully-developed and reliable lead/lag study is the most accurate method of determining the working cash needs of a particular utility." While the FERC NOPR was never fully adopted, it offered guidelines and is also consistent with Robert Hahne's text "Accounting for Public Utilities."

This report presents the results of the Company's recently completed lead/lag study based on 12-months ending December 2012 revenues and expenses. The revenues and expenses used in the study are consistent with the Company's December 2012 unadjusted results as published in the Results of Operations Report filed with the Commission (Utah allocated results are derived using the 2010 Protocol/Rolled-In allocation methodology). This report summarizes the cash working capital requirement and describes the Company's method and calculations. The elements included in this study are consistent with those proposed in the FERC NOPR; namely, revenues, fuel costs, purchased power costs, labor, operation and maintenance expenses, income taxes, and property and other taxes. Separate lags were calculated for each major element in the study based on information developed from the Company's accounting and customer information systems. This report describes the calculation of each element and provides source documents. It is the Company's intention to clearly explain the assumptions and calculations included in this study, however, due to the voluminous nature of many of the revenue and expense transactions it is not feasible to detail every invoice and payment in this report. Full supporting detail is available for inspection on the Company's premises; additionally, the Company has provided a CD of the data files which are too lengthy to provide in print.