



Salt Lake City, Utah 84111  
April 10, 2014

201 South Main, Suite 2300

***VIA OVERNIGHT DELIVERY***

Utah Public Service Commission  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, Utah 84114

Attn: Gary Widerburg  
Commission Secretary

**RE: Docket No. 13-035-184  
In the Matter of the Application of Rocky Mountain Power for Authority to  
Increase Its Retail Electric Utility Service Rates in Utah and for Approvals of Its  
Proposed Electric Service Schedules and Electric Service Regulations**

In accordance with the Direct Testimony of Company Witness, Gregory N. Duvall, and the Commission's scheduling order in this docket, the Company hereby submits its updated net power costs (NPC) for the test period ending June 30, 2015 ("NPC Update"). As stated in the scheduling order the Company also agreed to provide updated information related to the environmental compliance regulation of its Naughton Unit 3 concurrently with the NPC update.

**Net Power Cost Update**

The Company previously identified several of the corrections and updates in data responses to DPU set 2 (2.9) and OCS set 17 (17.16). Herewith is the complete list of corrections and updates that the Company is aware of at this time. The cumulative impact of corrections and updates identified is reflected in the enclosed NPC Update. As a result of the NPC Update, test period NPC are reduced from \$1,521.9 million to \$1,510.2 million on a total Company basis, and from \$641.1 million to \$636.1 million on a Utah-allocated basis. An original and ten hard copies of the confidential summary are provided for the docket file (in addition to parties on the service list). The supporting information, including the impact of individual corrections or updates, workpapers and associated GRID database, are provided on the enclosed confidential CD.

**Explanations for Updates and Corrections**

**Correction 1 — Douglas PUD Settlement - 2015 Q1 LLH Prices**

The Company inadvertently applied heavy load hour prices during the light load hours in January through March of 2015..

**Correction 2 — Foote Creek II/IV Exchanges – return schedule.**

The Company's initial filing used a thirty day return schedule for the Foote Creek II and Foote Creek IV exchanges. The Foote Creek II contract specifies a seven day return schedule while the Foote Creek IV contract specifies that volumes be returned flat across On-peak and Off-peak periods by month.

**Correction 3 — Tesoro 2015 Extension**

The Company inadvertently excluded the assumed extension of the Tesoro contract for 2015.

**Correction 4 — Hydro Planned Outage Schedule**

The Company identified that incorrect planned outage schedules were applied to the Lewis and Klamath river systems in VISTA..

**Update 1 — Shell 2013-2014 Extension**

The Company exercised its option to extend the Shell purchase contract through December 2014.

**Update 2 — Remove OM Power QF Contract**

The OM Power QF project has not reached commercial operation as originally scheduled and is no longer expected to come online prior to the test period.

**Update 3 — Update Roseburg Dillard QF Pricing**

In December 2013, the Company entered a new fixed-price contract with Roseburg Dillard for 2014.

**Update 4 — Hermiston Pipeline Expenses**

TransCanada published its natural gas pipeline rates for 2014.

**Update 5 — Grant PUD Costs**

The Company received Grant County Public Utility District's 2014 Priest Rapids project power cost forecast and updated accordingly.

**Update 6 — BAL-002-WECC-2**

In accordance with NERC Reliability Standard BAL-002-WECC-2, beginning October 2014 the Company's contingency reserve obligation will be calculated based on 3% of generation and 3% of load. Prior to October 2014 the contingency reserve obligation is calculated based only on generation differentiated as 5% of hydro and 7% of thermal.

**Update 7 — BAL-003-1**

NERC Reliability Standard BAL-003-1 includes requirements pertaining to the provision of reserves for frequency response effective April 1, 2015.

**Update 8 — March 2014 Official Forward Price Curve**

Net power costs were updated to reflect the March 2014 official forward price curve and short term transactions for both electricity and gas.

**Update 9 — Small Qualifying Facilities Updates**

One new Oregon agreement has been entered into since the initial filing: Three Sisters Hydro. In addition, George DeRuyter and Sons Dairy entered a new QF contract for 2014, and new Washington QF tariff rates for 2015 applied. The payment calculations for Shoshone Irrigation in May and June 2015 were corrected.

**Update 10 — Chehalis Pipeline**

Northwest Pipeline's 2014 cost-of-service billing rate for the Company's Chehalis lateral has been incorporated.

**Update 11 — Coal Costs**

Coal costs were updated to reflect updates to contract indices, a new coal supply arrangement with the West Ridge mine for the Utah plants and revised plant thermal requirements.

**System balancing impact of all adjustments**

This NPC Update recalculates net power costs based on the inclusion of all updates listed above, along with the final screening of gas-fired units.

**Naughton Unit 4 Gas Conversion Update**

As stated in the direct testimony of Company Witness, Steven R. McDougal, the revenue requirement for this case has been prepared under the assumption that Naughton Unit 3 will cease operations as a coal-fired generating unit in December 2014 and be converted to a gas-fired peaking unit by May 2015.

As addressed in the direct testimony of Company Witness, Chad A. Teply, the Company requested the Environmental Protection Agency ("EPA") to consider extending the operation timeframe of Naughton Unit 3 as a coal-fired resource from December 31, 2014, to December 31, 2017, as part of its final action on the Wyoming Regional Haze State Implementation Plan ("SIP").

On January 30, 2014, the EPA issued its final rule partially approving and partially disapproving the Wyoming Regional Haze SIP. In this action, EPA noted that the gas conversion of Naughton Unit 3 was expected to occur and supported the conversion, but did not address extending the coal operation timeframe or the specific compliance requirements of the underlying Wyoming Regional Haze Best Available Control Technology ("BART") permit for the Naughton facility.

Following EPA's final action on the Wyoming Regional Haze SIP, the Company formally requested the Wyoming Department of Environmental Quality ("WDEQ") to amend the

Regional Haze BART compliance date for Naughton Unit 3 in the applicable permit to December 31, 2017. WDEQ is currently processing the Company's request but has not yet given approval to extend the Regional Haze compliance date beyond December 2014. As such, the Company has not changed the revenue requirement assumptions stated in Mr. McDougal's direct testimony. If prior to the June 4, 2014 rebuttal testimony date in this case Wyoming grants the Company's request to amend the Naughton Unit 3 BART permit, the Company will update the revenue requirement request in this case as part of its rebuttal filing. If Wyoming's decision to modify the Naughton Unit 3 BART permit is issued after the rebuttal testimony date, the Company will measure and defer any cost savings from continued Naughton Unit 3 coal operations past December 2014 for future rate making treatment.

It is respectfully requested that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

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Sincerely,

Jeffrey K. Larsen  
Vice President, Regulation

Enclosures

cc: Service List