- <u>BPA Transmission Rate Increase</u> – The rates for the Bonneville Power Authority have been set and are no longer an estimate for the test period in this case. This addresses OCS proposed adjustment 12.1 from the 2011 GRC.

Hedging

Q. Does the Company continue to include hedging costs from financial transactions in NPC?

A. Yes.

Q. Has the Company entered into any financial hedging transactions since the Company entered into a settlement agreement with all parties in the 2011 GRC on July 28, 2011?

A. Yes. The test period includes six electricity swap transactions that were entered into subsequent to July 28, 2011. The total impact of these electricity swaps on NPC is a net gain of $4,992. The test period does not include any gas swap transactions entered into subsequent to July 28, 2011.

Wind Integration Costs

Q. What wind integration costs are included in NPC?

A. The costs of integrating wind generation in the Company's balancing authority areas included in NPC are approximately $3.44/MWh.

Q. Does the Company continue to base its wind integration costs on the results of the 2010 Wind Integration Study ("Wind Study") filed with this Commission in both the 2011 GRC and the 2011 Integrated Resource Plan dockets?

A. Yes. The Company continues to believe that the level of reserves required to integrate wind generation net of system load, as identified in the Wind Study, is appropriate.

Q. Has the Company made any changes to the reserve requirements since the 2011 GRC?

A. Yes. The reserve requirement from the Wind Study has been increased to integrate the additional wind capacity in the test period. The Wind Study calculated that an average of 533 MW of reserves were necessary to integrate 2,046 MW of wind capacity. This level of reserves was included in the prior case. The test period for this proceeding includes an average of 2,280 MW of wind capacity, 234 MW more than in the Wind Study. To integrate this additional capacity, the Company increased the reserve requirement by 25 MW to 558 MW, based on the relationship between the reserves required at the two highest penetration levels in the wind study.

Q. Has the Company included the costs associated with integrating the non-owned wind generation in the Company's balancing authority areas?

A. Yes. As explained in the 2011 GRC, the Company is required by federal law to provide wind integration services to its wholesale customers on a non-discriminatory basis. Therefore, the Company continues to believe it is appropriate to reflect these costs in rates as prudent and necessary costs associated with operating its system.

Q. Has the Company filed its transmission rate case with FERC, and included charges for ancillary services for non-owned wind facilities?

A. Yes. The Company filed its transmission rate case on May 26, 2011, under docket number ER11-3643. In that case, the Company proposed a new Schedule 3A that will apply to all transmission customers delivering energy from generators in PacifiCorp's balancing authority areas to other balancing authority areas. The transmission rate case is ongoing with FERC.

Q. Will the Company include these incremental revenues resulting from the FERC transmission rate case in Utah rates once they are known and measurable?

A. Yes. As more fully explained in the direct testimony of Company witness Mr. McDougal, since the exact amount of any increase are unknown at this time, the Company proposes to defer any ancillary service revenues resulting from the FERC transmission rate case through the end of the test period May 31, 2013. This deferral will occur through the EBA without the application of the 30 percent sharing mechanism. Utah's allocated share of these deferred revenues that are incremental to revenues included in the Company's filing may then be passed through to Utah customers as directed by the Commission.

Improving NPC Accuracy

Q. Does the Company propose to update NPC during the course of this proceeding and in general rate cases in the future in order to improve the accuracy of the NPC projections?

A. Yes. The Commission authorized the Company to establish an EBA in which the base NPC will be set in general rate cases. In order to achieve the most accurate forecast of base NPC, and thus minimize the deferred NPC, the Company proposes to update the following limited categories of NPC: