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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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IN THE MATTER OF THE APPLICATION OF  
ROCKY MOUNTAIN POWER TO INCREASE  
THE DEFERRED EBA RATE THROUGH THE  
ENERGY BALANCING ACCOUNT  
MECHANISM

Docket No. 13-035-32

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**SETTLEMENT STIPULATION**

This Settlement Stipulation (“Stipulation”) is entered into in Docket No. 13-035-32 by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties” and individually as a “Party”).

1. The Parties have conducted settlement discussions over the course of several days. No intervening party opposes this Stipulation.

2. The Parties recommend that the Public Service Commission of Utah (“Commission”) approve the Stipulation and all of its terms and conditions. The Parties request that the Commission make findings of fact and reach conclusions of law based on the evidence filed in this proceeding and on this Stipulation and issue an appropriate order thereon.

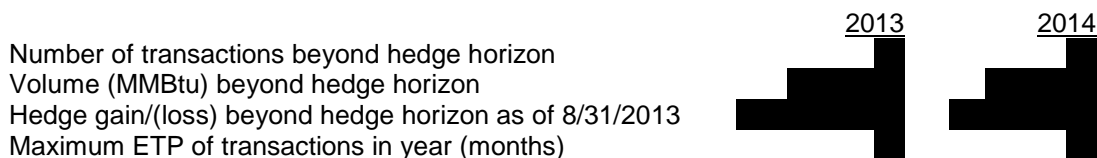
3. The Parties agree that the Commission should allow Rocky Mountain Power (“RMP” or the “Company”) to recover Energy Balancing Account (“EBA”) costs in this matter in the amount of \$15.0 million, of the approximate amount of \$17.4 million that the Company requested in this Docket, based on the following adjustments:

Rocky Mountain Power Utah 2013 EBA Settlement Docket No. 13-035-32 (millions)	
RMP Original Filing	\$17.4
Summary of Adjustments:	
Bridger 4 - Liquidated Damage Payments	(\$0.2)
Naughton 1 - Liquidated Damage Payments	(\$0.1)
Naughton 2 - Liquidated Damages Payments	(\$0.2)
Other Adjustments	(\$1.9)
Total Adjustments	<u>(\$2.4)</u>
Total EBA Recovery	<u><u>\$15.0</u></u>

4. The Company received liquidated damages payments for outages at the Jim Bridger Unit 4, Naughton Unit 1, and Naughton Unit 2 plants in the amount of \$1,616,500. Utah's allocated share of the liquidated damages is approximately \$700,000. The Parties agree to provide customers with the benefit of the liquidated damages payment through the EBA rather than as a credit to plant in service. The Company will reverse Utah's portion of the liquidated damages booked as a credit to plant-in-service and apply it as a reduction to net power costs. After the application of the sharing band, the EBA deferral balance is reduced by approximately \$490,000. The Parties further agree that Utah's portion of the liquidated damages will be set up as a regulatory asset in the amount of \$700,000 to be included in rate base and amortized over a 20-year period beginning January 1, 2014.

5. The Company represents that, with the exception of the two long-term natural gas swap transactions it recently executed and which were approved as part of the Natural Gas Request for Proposals docket, Docket No. 12-035-102, there are a total of ■ natural gas hedging transactions, a list of which is attached hereto as Confidential Exhibit A, remaining in its hedging

portfolio with effective transaction periods that are beyond [REDACTED], the hedging horizon at which the Company was required to hedge a portion of its open position based on the risk management policy in effect prior to May 22, 2012. The Company further represents that these transactions were entered into consistent with the Company’s risk management policies in effect at the time they were executed. Of these [REDACTED] transactions, [REDACTED] hedge a portion of natural gas requirements in 2013, and [REDACTED] hedge a portion of natural gas requirements in 2014. A summary of the number, volume, and mark-to-market losses as of August 31, 2013, of the hedge transactions with settlement beyond the applicable hedge horizon that are included in this Settlement Stipulation is shown below by settlement year.



6. The Parties agree that, given these representations, they will not challenge any of the transactions identified in Paragraph 5 above for prudence based, in whole or in part, on the grounds that they (a) violate the Company’s policy or require a policy exception due to their effective transaction periods or because they are considered seasonal products, or (b) violate the Company’s policies for governance for “splitting” the transactions to avoid such governance.

7. The Parties agree to hold a technical conference on or before March 15, 2014 to evaluate dynamic allocations and dynamic scalars and their effect on EBA costs allocated to Utah customers.

8. Consistent with the settlement stipulation between the Parties, among others, in Docket Nos. 11-035-200, 12-035-79 and 12-035-80 dated August 7, 2012, the Parties agree that

the approved rate change in this Docket shall be collected over a two-year period from the effective date of the approved rate change in this Docket, with carrying charges accruing through December 31, 2012 but no carrying charges thereafter or during such two-year collection or refund period.

9. The Parties agree to the spread and the rate design of the approved rate change for rate schedules as set forth in Exhibit B attached hereto. The EBA spread is consistent with the NPC Allocator method ordered by the Commission in Docket 11-035-T10. The Parties acknowledge that the collection of EBA costs from customers paying contract rates are governed by the terms of the contract. For the purposes of this Stipulation, however, the Parties agree to the rate change for the contract customers as set forth in Exhibit B. No Party will assert in any future proceeding that the stipulated allocation of costs to the contract customers in this docket is precedent for allocating EBA costs to contract customers in any future docket.

10. The Parties request that the Commission issue its order in this Docket in time for the approved rate change to become effective November 1, 2013.

11. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same or a Commission order approving the same shall in any manner be argued or considered as precedential in any future case except with regard to issues expressly called-out and resolved by this Stipulation. This Stipulation does not resolve and does not provide any inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called-out and settled herein.

12. Not all Stipulating Parties agree that each aspect of this Stipulation is supportable in isolation. Utah Code Annotated Section 54-7-1 authorizes the Commission to approve a

settlement so long as the settlement is just and reasonable in result. While the Stipulating Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Stipulating Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

13. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation, and in accordance with Utah Administrative Code R746-100-10.F.5, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgement by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

14. The Parties request that the Commission consider this Stipulation at the hearing scheduled in this docket. The Company, the Division and the Office each will, and any other Party that has intervened in these proceedings may, make one or more witnesses available to explain and offer further support for this Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

15. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

DATED this 24<sup>th</sup> day of September, 2013.

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