



State of Utah

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May 15, 2014

Dave Taylor
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, UT 84111

RE: Docket No. 14-035-35, Division's Audit of PacifiCorp's 2013 Fuel Inventory Policies and Practices

Dear Mr. Taylor:

On March 31, 2014, the Division of Public Utilities ("Division") filed a memorandum with the Utah Public Service Commission ("Commission") regarding the Division's audit of PacifiCorp's 2013 Fuel Inventory Policies and Practices. The memorandum was filed in compliance with the Commission's February 18, 2010, Report and Order on Revenue Requirement, Cost of Service and Spread of Rates ("2010 Order").

In its memorandum, the Division indicates it has reviewed PacifiCorp's Coal Inventory Policies and Procedures ("Manual") dated January 2, 2014, third-party reports, and has conducted its own analysis of target levels versus actual inventory of coal at the Company's generation plants. The Division concludes (1) PacifiCorp has formal policies and procedures in place for its fuel procurement and coal inventory levels; (2) PacifiCorp has adhered to its policies and procedures in 2013, and as amended on January 2, 2014; (3) PacifiCorp's policies provide some flexibility to react to favorable market conditions, and (4) PacifiCorp is in compliance with the Commission's 2010 Order with respect to its fuel inventory policies and recommends the Commission acknowledge PacifiCorp's compliance.

The Division also notes the Manual is based on third-party reports from 2009 and 2010 and recommends the Commission order PacifiCorp to obtain a third-party review of its current coal inventory policies and update the stockpile target levels at the Utah and Wyoming coal-fired generation plants. The Division recommends the third-party review and PacifiCorp's updated policies should be provided to the Division before March 1, 2015. Further, the Division requests the Commission require PacifiCorp to provide a redline copy of any updated Manuals to the Division within 60 days of the update.

Based on the recommendations of the Division, the Commission determines:

- 1) PacifiCorp is in compliance with the 2010 Order;
- 2) When changes are made to the Manual, PacifiCorp should forward a copy of the revised or updated Manual in clean and redline form to the Division within 60 days;
- 3) Any updated third-party reviews should be provided to the Division; and
- 4) Issues relating to prudent coal inventory policies will be addressed in general rate cases.

Sincerely,

/s/ Gary L. Widerburg
Commission Secretary
DW#254600