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ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

October 8, 2015

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: : Semi-Annual Hedging Report (PUBLIC VERSION) – August 14, 2015
Docket No. 15-035-15

Dear Mr. Widerburg:

Rocky Mountain Power ("Company") respectfully submits the following comments and additional detail in response to the Division of Public Utilities' ("DPU") Action Request Response dated September 23, 2015.

The Company appreciates DPU's review and conclusion that the Company's Semi-Annual Hedging Report, dated August 14, 2015, complies with the current hedging guidelines and that no further action by the Public Service Commission of Utah ("Commission") is required.

With regard to the DPU's comment that an observed change in hedging practices may have been driven by the Energy Balancing Account ("EBA")[1], the Company notes that the EBA has no impact on how the Company hedges its electricity and natural gas portfolios. The significant reduction in Year 1 electricity hedging from 2008 to present is a result of shift from volumetric position limits for electricity and natural gas to the to-expiry value-at-risk ("TEVaR") risk metric.

Under the former limit structure, traders were required to manage fixed-price positions between minimum and maximum position limits for electricity and natural gas. This required traders to begin to hedge electricity positions as they rolled into the position management horizon and continue to do so as they fell within narrower minimum and maximum position limits as they neared delivery.

These fixed-price position limits were removed in August 2011 and replaced with TEVaR limits,

[1] DPU Action Request Response dated September 23, 2015. Page 4 – "The Company has significantly reduced ….... as of December 2008. This change in the hedging practices may be due to changing market conditions and could also have been impacted by the approval of the EBA in Utah".

which required traders to manage the combined electricity and natural gas portfolios to remain within TEVaR limits. As TEVaR is a function of both unhedged electricity and natural gas positions, traders had greater freedom which commodities and products to hedge to keep the combined portfolio exposure within established limits.

In May 2012, minimum and maximum natural gas percent hedge limits were established and the hedging horizon was reduced from 48 months to 36 months. [redacted]

The Company appreciates the opportunity to provide the foregoing additional details to the Commission in this proceeding.

Best,

Yvonne R. Hogle

Yvonne R. Hogle
Asssistant General Counsel
Rocky Mountain Power

cc: Chris Parker, Division of Public Utilities
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