

December 28, 2012

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Attn: Gary Widerburg
Commission Secretary

Re: **Docket No. 03-035-14 – Quarterly Compliance Filing – 2012.Q4 Avoided Cost Input Changes**

Commission Orders dated October 31, 2005, and February 2, 2006, in Docket No. 03-035-14 require the Company to keep a record of any changes, including data inputs, made to the Proxy and GRID models used in calculating avoided costs. The Orders further require the Company to notify the Commission and Division of Public Utilities of updates made to the models used in the approved Proxy and Partial Displacement Differential Revenue Requirement (PDDRR) avoided cost methodologies.

This filing reports changes since the Company's 2012.Q2 quarterly compliance filing dated June 29, 2012. On November 27, 2012, the Company submitted a letter in place of its 2012.Q3 quarterly compliance filing where it highlighted two significant issues under consideration with the Commission that impact the calculation of avoided costs:

- On September 28, 2012, the Company filed a Resource Needs Assessment Update in Docket No. 11-035-73 ("Needs Assessment") and notified the Commission that the Company intended to cancel its All-Source Request for Proposals (RFP) for the 2016 time period. On November 9, 2012, the Commission issued a scheduling order to review this issue. The Utah independent evaluator filed its final report November 30, 2012, supporting the Company's decision to cancel the RFP. On December 10, 2012, the Company filed its Support for Decision to Terminate All Source RFP for 2016 Resource and requested that the Commission issue a final order finding that the Company fully supported its decision to cancel the All Source RFP for a 2016 resource.
- On October 9, 2012, the Company filed a request for approval of changes to the renewable avoided cost methodology and a motion to stay the application of the Commission's 2005 order establishing the market proxy method for wind avoided costs; the Commission established Docket No. 12-035-100 to address the Company's request. On December 20, 2012, the Commission issued its order denying the Company's motion to stay.

In this 2012.Q4 filing the Company addresses each of the above issues and also incorporates other, more routine, updates to the avoided cost calculation. Details are provided in the attached appendices as described below.

The Company has incorporated the Needs Assessment in this filing which shows the need for a significant thermal resource is deferred from 2016 to 2025. The Company's December 10, 2012, filing highlighted the Independent Evaluator's conclusion that it:

“...did not oppose PacifiCorp's decision to not select a resource from the All Source RFP for 2016 Resource and to terminate the 2016 All Source RFP at this time based on the projected significant decline in the Company's load forecast, and projected resource balance for 2016. Certainly, the Company has clearly demonstrated that there is no need for the originally anticipated 600 MW gas-fired combined cycle as the incremental resource identified in the 2011 IRP. The analysis indicates that the need for the next large-scale combined cycle resource addition has been deferred until 2025.”

The Needs Assessment and cancelation of the 2016 RFP represents a known and measurable change to the Company's projected resource portfolio. Consequently, the avoided cost pricing of the hypothetical thermal resource will be based on displacement of third quarter heavy load hour front office transactions through 2024 and partially displace a combined cycle combustion turbine (CCCT) beginning in 2025.

With regard to the use of the market proxy method for calculating the avoided cost of wind resources, the Commission denied the Company's request for a stay. In compliance with the December 20, 2012, order, the Company will continue to provide indicative prices for proposed wind QFs using the market proxy method, and will continue to participate in Docket No. 12-035-100 established to evaluate the appropriate methodology for calculating the avoided cost of renewable resources.

PacifiCorp (dba Rocky Mountain Power) hereby respectfully submits an original and ten copies of this 2012.Q4 quarterly compliance filing. An electronic copy of this filing will be provided to psc@utah.gov. Additional detail is provided below:

1. **GRID Model Data Updates**

A number of data and modeling assumption updates have occurred in the GRID model since the last filing. **Appendix A** provides a summary of those updates.

2. **Proxy / Partial Displacement Differential Revenue Requirement
Avoided Cost Methodology**

The Proxy used in the PDDRR avoided cost methodology is consistent with the Company's Needs Assessment. During the period 2013 through 2024 the proxy will be third quarter high load hour only front office trades and starting January 2025 the proxy is a 423 MW CCCT.

3. Impact to Avoided Cost Prices (\$/MWh)

Provided as **Appendix B** is a \$/MWh impact study of the above mentioned updates, together with a comparison to the last filing. The updates reflect a total decrease of approximately \$9.32/MWh on a 20-year nominal levelized basis. Avoided costs presented in **Appendix B** were calculated assuming a 100 MW 85% capacity factor QF resource.

4. Major Changes from the Prior Study

Provided as **Appendix C** is a \$/MWh step impact study of the major changes from the prior study. The major changes since the 2012.Q2 study were the update to the July load forecast, update to the September 2012 official forward price curve, incorporation of the Needs Assessment, and other modeling updates. Also provided in **Appendix C** is the incremental impact of each change from the prior step.

5. Proxy Wind Resource

As a result of the Commission Order dated December 20, 2012 in Docket No. 12-035-100, the Company is using Dunlap I as the proxy wind resource. The proxy wind resource is unchanged from the Company's 2009.Q4 Compliance Filing dated March 9, 2010.

It is respectfully requested that all formal correspondence and requests regarding this compliance filing be addressed to:

By E-Mail (preferred) : datarequest@pacificorp.com

By Regular Mail : Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be made to Brian Dickman at (503) 813-6484.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation and Government Affairs

cc: Service List (Docket No. 03-035-14)