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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Compliance Filing – Utah Carbon Reduction
Progress Report for Rocky Mountain Power

DOCKET NO. 09-035-_____

**ROCKY MOUNTAIN POWER
UTAH CARBON REDUCTION
PROGRESS REPORT**

Rocky Mountain Power (“Rocky Mountain Power” or “Company”) hereby submits to the Public Service Commission of Utah (“Commission”), pursuant to Utah Code § 54-17-604, a progress report concerning its plan for implementing Subsection 54-17-602(1). In support of its progress report, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp. PacifiCorp is an Oregon corporation that provides electric service to retail customers through its Rocky Mountain Power division in the states of Utah, Wyoming, and Idaho, and through its Pacific Power division in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. The Company serves approximately 770,000 customers and has

approximately 2,400 employees in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111.

Communications regarding this Compliance Filing should be addressed to:

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7. Rocky Mountain Power respectfully submits its Utah Carbon Reduction Progress Report in accordance with the Utah Energy Resource Procurement Act.

DATED this 31st day of December, 2009.

Respectfully submitted,

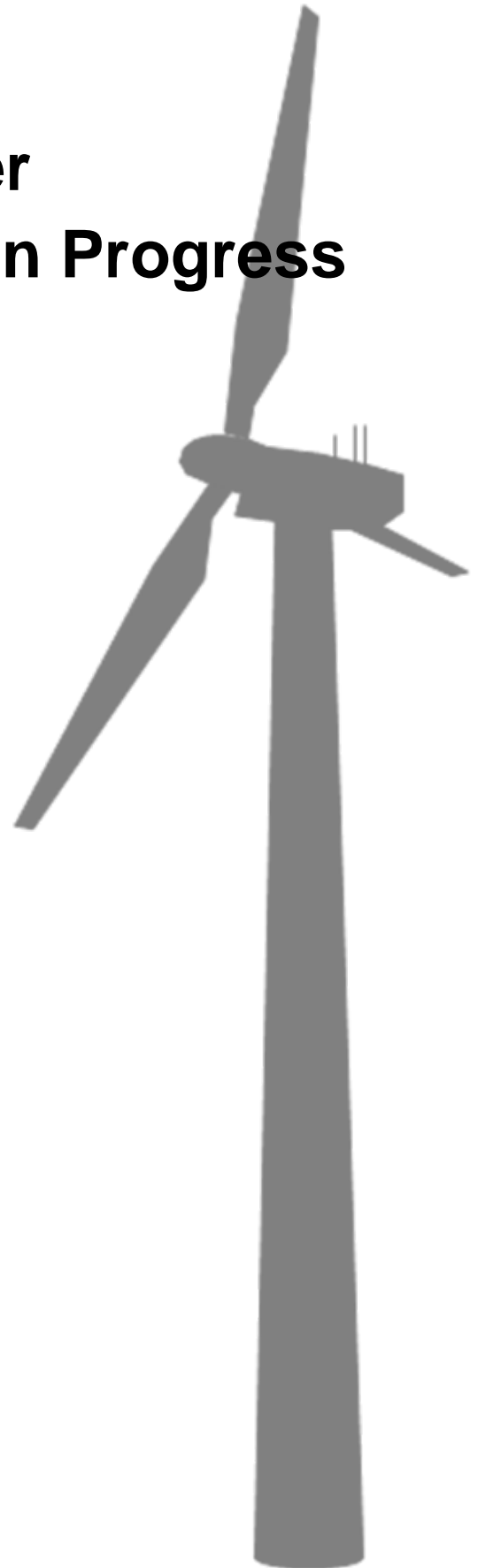
ROCKY MOUNTAIN POWER

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Rocky Mountain Power Utah Carbon Reduction Progress Report

December 31, 2009



Rocky Mountain Power
Utah Carbon Reduction Progress Report
December 31, 2009

In accordance with the Utah Energy Resource Procurement Act (“Act”), Title 54 Chapter 17 Section 604, Rocky Mountain Power (“Company” or “Rocky Mountain Power”) hereby submits its Carbon Reduction Progress Report (“Carbon Reduction Progress Report”) on the development and maintenance of a plan for meeting the targets set forth under Title 54 Chapter 17 Section 602.

Section 604 of the Act sets forth certain information that is to be included in the Carbon Reduction Progress Report, and is summarized as follows:

- (a) The actual and projected amount of qualifying electricity through 2025;
- (b) The source of the qualifying electricity;
- (c) An analysis of cost-effectiveness of renewable energy sources;
- (d) A discussion of conditions impacting the renewable energy source and qualifying electricity markets;
- (e) Any recommendation for a suggested legislative or program change; and
- (f) Any other information requested by the Public Service Commission of Utah (“Commission”) or considered relevant by the electrical corporation;

In addition, the Carbon Reduction Progress Report may include procedures that will be used by the electrical corporation to identify and select any renewable energy resource and qualifying electricity that satisfy the criteria of Subsection 54-17-201 (2) (c) (ii).

Rocky Mountain Power respectfully submits its Carbon Reduction Progress Report and is committed to achieving the 20 percent target for cost-effective qualifying renewable resources beginning in 2025. Representations in this Carbon Reduction Progress Report regarding plans and future events or conditions are forward-looking statements. Actual future results, including demand growth and energy source mix; capacity increases; production growth and mix; financing sources; the effect of changes in prices; interest rates and other market conditions; and environmental and capital expenditures could differ depending on a number of factors, such as changes in customer demand for electricity, the availability of cost-effective resources; and other factors.

Overview

Rocky Mountain Power is committed to acquiring cost-effective renewable resources that will enable the Company to achieve the target to have 20 percent of its adjusted retail sales beginning in the year 2025 from cost-effective qualifying renewable energy resources.

The Company uses an integrated resource planning (“IRP”) process that provides a framework for resource acquisition to ensure that the Company continues to provide reliable, low-cost service with manageable and reasonable risk to its customers. The IRP is a road map for the Company to plan on a long-term basis an adequate and reliable electricity supply at the least cost adjusted for risk and to ensure that such supply is provided or fulfilled in a manner consistent with the long-run public interest. The IRP provides a strategic road map to assist the Company in determining and implementing the Company’s long-term resource strategy. The result is a preferred portfolio that represents a balance of resource additions that meet future customer needs, while minimizing cost, balancing diverse stakeholder interests and addressing environmental concerns. PacifiCorp’s 2008 integrated resource plan (“2008 IRP”) includes an assessment of the mix of cost-effective resources to meet the various state renewable portfolio standard (“RPS”) requirements. PacifiCorp evaluates and generates an RPS compliance view for each portfolio evaluated in the IRP. The 2008 IRP identifies 2,000 megawatts (“MW”) of cost-effective renewable resources to be acquired by 2013 with the target of an additional 600 megawatts in its portfolio by 2013. The 2,000 megawatts of renewable resources is inclusive of the 1,400 megawatts of cost-effective renewable resources identified in the Company’s 2004 integrated resource plan (“2004 IRP”).

The 2008 IRP and the IRP action plan are based upon the most current available information at the time the portfolio study analysis is conducted. The Company is aware that this information reflects a snapshot view of the future that accounts for a wide range of uncertainties. The current economic and regulatory environments are continually changing and will likely require changes to the resource plan as specific events, legislation and regulations evolve and could materially impact resource acquisitions and the timing of those acquisitions.

Title 54 Chapter 17 Section 602 (3) (a) Actual and projected amount of qualifying electricity through 2025 and (b) the source of qualifying electricity;

Pursuant to the Energy Resource Procurement Act Title 54 Chapter 17 Section 604 the Company is submitting the amount of qualifying electricity and the sources of qualifying electricity. This information is provided in Exhibit A.

Title 54 Chapter 17 Section 602 (3) (c) (i) An analysis of the cost-effectiveness of renewable energy sources for other than a cooperative association; or (ii) an estimate of the cost of achieving the target for an electrical corporation that is a cooperative association;

The Company has been successful in acquiring cost-effective renewable resources through many different acquisition approaches described in this progress report. Regardless of approach, with the exception of Qualifying Facilities wherein PacifiCorp utilizes methodology that is compliant with approved state-specific methodologies, all of the Company's renewable project acquisitions are evaluated using the alternative cost for compliance (“ACC”) methodology described below.

The cost-effectiveness of renewable resources is project specific and subject to numerous factors. A renewable project is cost-effective if enough of the following variables combine to produce a cost-effective project. The cost of a renewable project is influenced by the cost of the technology, the project capacity factor, federal and state subsidies, project location and in particular proximity to transmission, credit quality of the developer, royalties and operations and maintenance costs among other factors. The alternative market price to which a renewable resource is compared to determine cost-effectiveness relies upon PacifiCorp's official forward price curve that includes then-current market prices out a few years and fundamental third party forecasts in the later years of a project life where liquid market prices are not available. These market price forecasts are volatile and unpredictable and are subject to complex supply and demand fundamentals that will also be impacted by new state or federal legislation on environmental controls or carbon reduction policy.

There are several methods that could be used to determine the cost-effectiveness of resources; currently the Company determines the cost-effectiveness of new renewable energy sources using the next highest alternative cost for compliance method. The ACC method uses the Company's production cost simulation system and its associated forward price curves to generate a market-based undifferentiated (non-renewable resource) alternative comparison of resources. In determining the alternative, the Company first runs the production cost simulation system (the "Planning and Risk model", also known as the "PaR model") in stochastic mode using the then-current IRP preferred portfolio. The PaR model is then run a second time with the uncommitted future renewable resources removed from the preferred portfolio. Next, other costs and benefits of the specific resource being considered are compared against the PaR model results. This comparison is in the form of a considered resource ACC value, which represents the resource cost over the life of the project that yields a zero net present value revenue requirements ("PVR") difference with respect to the PaR model's market-based alternative. A negative ACC value, which is expressed on a dollars-per-megawatt-hour ("MWh") basis, indicates that the considered resource compares favorably to the undifferentiated market-based alternative. The PaR model is a model used in the Company's IRP analysis process.

The Company employs the ACC method on all renewable resources being considered; including renewable resources considered through a request for proposals ("RFP") process. When an RFP is present, the Company evaluates renewable RFP proposals using a two-step process. The Company first screens the considered resources on the basis of price and non price criteria. The most attractive alternatives are then evaluated using the Company's ACC methodology. The screening process ranks alternatives on the basis of price (70 percent) and non-price (30 percent) factors. The price factor is derived using the Company's RFP Base Model. The price factor

comparison metric is an evaluation of projected net PVRR per kilowatt-month (“Net PVRR/kW-mo”). The net PVRR/kW-mo component views the value of power as positive with costs taken into account as an offsetting negative. The net PVRR/kW-mo metric is the annuity value which, when applied to the nominal kilowatt on a monthly basis and present-valued, will result in the same net PVRR as a net present value calculation. The non-price factors include conformance to pro-forma contracts; transmission availability and interconnection status; status of the development of the resource; experience; and performance guarantees where applicable.

Title 54 Chapter 17 Section 602 (3) (d) A discussion of conditions impacting the renewable energy source and qualifying electricity markets;

Items that may impact the renewable energy source and qualifying electricity markets include:

Production Tax Credits: Through the American Recovery and Reinvestment Act of 2009, the renewable energy production tax credit (“PTC”), was extended through December 12, 2012. In addition, the eligibility period for power production from open-loop biomass, geothermal, small irrigation, landfill gas and municipal solid waste projects was increased. Incremental hydropower production resulting from efficiency improvements or capacity expansion at existing dams was added to the list of production technologies eligible for the PTC. The Company expects that the extension of the PTC will continue to aid in the acquisition of new wind and other renewable resources. However, it is anticipated that the uncertain future of the PTC will have an impact on the how many economic renewable resources are available to the Company prior to the expiration date.

Transmission: The construction of new transmission infrastructure to connect to remotely located renewable resources to load centers could facilitate the development of renewable resources to meet mandates. However, the generation may have added premiums to deliver the renewable energy, and costs of system integration need to be factored in for intermittent renewable resources.

Cost Implications: Renewable resources pose several new challenges due to the intermittent and variable nature, which will have added costs associated with dispatching and integrating these resources within the Company’s resource portfolio. As a multi-state utility, the Company also works within the Multi-State Process to ensure costs are appropriately allocated to states under the Revised Protocol.

Federal Carbon Legislation: The United States Congress is considering a federal renewable electricity standard as well as other proposals to address climate change and energy savings. There are several legislative bills under consideration that would require a significant portion of electricity to come from renewable resources by 2025 and mandates for reduction of carbon emissions. The proposed carbon regulations will have an impact on the Company, its customers and its resource portfolio. Depending upon the nature and extent of any federal legislation, the

Company will need to evaluate the options for carbon emissions reductions, which may include additional resources that do not emit greenhouse gases, restructuring/replacing its existing resource portfolio, fuel switching and revised unit dispatch.

Other Energy Policy Directives: The Company operates in six states, four of which have differing provisions regarding renewable resources. The Company is faced with meeting the challenges of differing state energy policy directives, while balancing the requirement to provide safe and reliable electricity to its customers.

Title 54 Chapter 17 Section 602 (3) (e) Any recommendations for suggested legislative or program change;

The Company has no recommendations at this time. Recognizing that the cost-effectiveness of renewable resources is in part determined by the location of the renewable energy site, the Company firmly believes that acquiring renewable resources prior to the 2025 target date has and will provide a benefit to customers. The Utah statute appropriately permits this. The Company will continue to explore cost-effective programs that would be in the best interest of customers and meet the requirements under the Carbon Emissions Reduction program.

Title 54 Chapter 17 Section 602 (3) (f) For other than a cooperative association, any other information requested by the commission or considered relevant by the electrical corporation.

The Company's 2008 IRP, filed with the Commission on May 28, 2009, is a source of information that is relevant to the Company's Carbon Reduction Progress Report. In the 2008 IRP, the Company conducted several renewable scenarios to ensure compliance with the different state renewable mandates, including Utah's Carbon Emission Reduction program. The Company's 2008 IRP is available at <http://www.pacificorp.com/es/irp.html>.

Title 54 Chapter 17 Section 602 (4) The plan and progress report required by Subsections (1) and (2) may include procedures that will be used by the electrical corporation to identify and select any renewable energy resource and qualifying electricity that satisfy the criteria of Subsection 54-17-201 (2)(c)(ii)

The Company will evaluate the cost-effectiveness of new resources, including any self-developed, efficiency upgrades, and/or any qualifying renewable resources that are identified and selected through the issuance of RFPs, bilateral acquisition of assets, bilateral acquisition of power purchase agreements, qualified facilities ("QF") where the Company holds the rights to the renewable energy credits and the purchase of renewable energy credits associated with other renewable resources. Consistent with the Act, the Company will notify the Commission when it intends to issue an RFP. The IRP Action Plan is the road map to the renewable resource acquisition strategy that will be implemented through these various acquisitions methods.