

July 20, 2010

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

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

Attention: Julie P. Orchard  
Commission Secretary

Re: Docket No. 10-035-T01

On May 13, 2010, in the above referenced docket, the Public Service Commission of Utah (“Commission”) approved Rocky Mountain Power’s (“Company”) request filed in tariff Advice No. 10-01 to add pipeline and irrigation canal hydroelectric projects to the list of resources eligible for support under the Blue Sky program. Previously, the Blue Sky program tariffs (Schedules 70 and 72) required that all hydroelectric resources be certified by the Low Impact Hydropower Institute (“LIHI”) to be eligible for support from the Blue Sky program. The Commission’s May 13, 2010 order in this docket enabled the Company, through the Blue Sky program, to support pipeline and irrigation canal hydroelectric projects absent LIHI certification.

Schedules 70 and 72 enable the Company to fund Qualifying Initiatives with Blue Sky program dollars after customer REC subscriptions have been satisfied and program administrative costs have been covered. Projects receiving Qualifying Initiative funding can be: 1) locally-owned commercial-scale Renewable Energy projects that produce less than 10 MW of electricity, 2) funding for research and development projects encouraging renewable energy in order to accelerate marketability of renewable energy technologies and 3) investment in the above-market costs associated in the construction of renewable energy facilities or purchase by contract of renewable energy.

During the 2009 Qualifying Initiative funding process, the Company awarded a grant of \$169,000 to Ogden City for a pipeline hydroelectric facility. The project will consist of one turbine installed in an existing water line which runs below the Pineview reservoir in Ogden Canyon. The project will generate electricity by utilizing water pressure in the water line to turn a hydroelectric turbine. The facility will be 20 kW in size and is expected to cost \$169,000 to complete. Construction on this facility is expected to begin prior to August 1, 2010 and is expected to be complete by May 2011. This project was selected for Qualifying Initiative funding as the Company believes it aligns well with the Blue Sky program’s objective of encouraging the development of renewable energy resources in the western United States and also the preference for Qualifying Initiative funding to support local community based projects which provide environmental and economic benefits to communities and customers served by the Company. Energy output from this facility will be used to meet electric load at Ogden City’s

treatment plant, thereby reducing the city's impact on Rocky Mountain Power's system. Annual output of the facility is expected to be 175,200 kWh, offsetting 41% of the treatment plant's electric usage. In addition, Ogden City intends to host school groups at the facility to educate students about renewable energy technologies.

The Blue Sky grant funds were awarded to Ogden City on August 31, 2009. As the funds were awarded prior to the Commission's approval of Advice Filing No. 10-01, Ogden is taking the necessary steps to obtain LIHI certification for the facility in compliance with the tariff specifications at the time the funds were granted. Rocky Mountain Power has communicated to Ogden that the \$169,000 grant must be returned to the Company should they be unable to obtain LIHI certification for the facility.

While Ogden City fully expects to obtain LIHI certification for this project, Rocky Mountain Power respectfully requests the Commission exempt this project from the requirement to obtain LIHI certification, consistent with its approval of Advice No. 10-01, allowing the Blue Sky program to support pipeline and irrigation canal hydroelectric projects sans LIHI certification. This request is made for the same reasons originally stated by the Company in Advice No. 10-01 – obtaining LIHI certification is often administratively burdensome and costly for entities seeking certification for small projects, such as the Ogden project. In addition, as this project consists of a turbine being placed in an existing water pipeline, the incremental environmental impact of this facility is expected to be negligible. Rocky Mountain Power believes this request is in alignment with Commission's order in Docket No. 10-035-T01 and will enable Ogden City to direct a greater portion of the Blue Sky grant funds to its pipeline hydroelectric project, rather than towards costs associated with obtaining LIHI certification.

Informal inquiries regarding this correspondence may be directed to Aaron Lively, regulatory manager, at 801-220-4501.

Sincerely,

Jeffrey K. Larsen  
Vice President, Regulation