

12-035-67/Rocky Mountain Power
October 25, 2012
DPU Data Request 13.5 – 2nd Supplemental

DPU Data Request 13.5

The Utah Public Service Commission directed the Company to perform sensitivity analysis to determine a hedging strategy which minimizes costs and risks for customers. See Public Service Commission of Utah, In the Matter of the Acknowledgment of PacifiCorp's Integrated Resource Plan, Report and Order, Docket No 09-2035-01, April 1, 2009, p. 30. Please provide copies of the analyses performed with all source files, results, outcomes and in their original form (such as excel, word, power point) with formulas intact that show the sensitivity analysis the company performed to determine its hedging strategy to minimize cost and risk for customers.

2nd Supplemental Response to DPU Data Request 13.5

Further to the Company's responses to DPU Data Request 13.5 dated October 9, 2012 and October 19, 2012, the Company provides the following additional information:

During the nine Utah Hedge Collaborative meetings held in late 2011 and early 2012, the Company explained and understood the stakeholders to agree that hedging price risk does not minimize net power costs due to gains or losses resulting from the hedge activity. The DPU's March 30, 2012 report to the Public Service Commission of Utah states, on page 7:

"...since the purpose of price hedging and its associated metrics (including TEVaR) is to reduce price volatility rather than to achieve cost minimization."

However, the Company does manage direct hedge costs including broker fees, spreads between bids and offers in less liquid markets, and collateral funding costs due to margining or clearing to mitigate credit risk. In addition, the Company maintains accurate open positions by updating economic generation forecasts each business day. The open positions are used, in conjunction with the PacifiCorp Energy's Commercial and Trading Risk Management Policy, in the decisions to hedge.