

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Review of Electric)	
Service Schedule No. 38, Qualifying)	DOCKET NO. 14-035-140
Facilities Procedures, and Other)	
Related Issues)	SETTLEMENT AGREEMENT
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This Settlement Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties” and individually as a “Party”).

1. The Parties have conducted settlement discussions over the course of several days and had meetings on February 23, 2015, March 12, 2015, March 18, 2015, March 24, 2015, April 1, 2015 and April 14, 2015 to which intervening parties in this docket were invited, to the extent they had intervened by the date the scheduled settlement meetings took place. In addition, drafts of this Stipulation were circulated to intervening parties for review and comment on April 13, 2015 and on April 22, 2015, and there have been further discussions among various parties. This Stipulation has been entered into by the Parties after consideration of the views of all intervening parties expressed during that process. No intervening party has indicated that it intends to oppose this Stipulation.

2. The Parties represent that this Stipulation is just and reasonable in result. The Parties recommend that the Public Service Commission of Utah (“Commission”) approve the Stipulation and all of its terms and conditions. The Parties request that the Commission make findings of fact and reach conclusions of law based on the evidence and on this Stipulation and issue an appropriate order thereon.

BACKGROUND

3. On August 22, 2014, Rocky Mountain Power (“Company” or “Rocky Mountain Power”) filed its quarterly compliance filing for avoided cost input changes for the second quarter of 2014 in Docket No. 14-035-40.

4. On September 22, 2014, the Division of Public Utilities (“DPU”), the Office of Consumer Services, Utah Clean Energy, and SunEdison, LLC filed initial comments and requested that the Commission hold a scheduling conference to discuss a process and schedule for Docket No. 14-035-40. The Commission issued a notice of status and scheduling conference for Thursday, November 6, 2014.

5. On October 9, 2014, Rocky Mountain Power filed a Compliance Filing together with pre-filed testimony and an exhibit containing the Company’s capacity contribution study (“RMP Study”) for wind and solar resources (“Request”). The Company filed the Request in compliance with the Commission’s Phase II Order in Docket No. 12-035-100 where the Commission directed the Company to complete a capacity contribution study using either the effective load carrying capability method or the capacity factor approximation method (“CF Method”).

6. Generally, the Company requested that the Commission adopt the capacity contribution values derived from the RMP Study and replace the interim capacity contribution values the Commission adopted in the Phase II Order in Docket No. 12-035-100.

7. The Company indicated that the interim values should be replaced in the calculation of capacity payments for wind and solar QF projects under the currently effective and recently approved Proxy/PDDRR method.

8. On October 14, 2015, the DPU filed a memorandum responding to the Company's compliance filing recommending the Commission open a new docket that combines review of the RMP Study in Docket No. 12-035-100 with the issues raised by parties in Docket No. 14-035-40. The DPU stated combining them would allow for a comprehensive review of the issues surrounding tariff Schedule 38. In response to the DPU's request, the Commission opened Docket No. 14-035-140.

9. On November 7, 2014, the Commission issued a Scheduling Order setting a schedule for several technical conferences and discovery. The Parties indicated to the Commission that having several technical conferences at the beginning of the case may narrow the scope of the issues on which they would have to file testimony and eventually litigate in this case.

10. A technical conference on the RMP Study for Wind and Solar Resources was held on December 2, 2014, during which the Company

responded to questions submitted by the parties and provided other information.

11. A technical conference on Queue Management and Power Purchase Agreement Milestones was also held on December 2, 2014, during which the Company responded to questions submitted by the parties and provided other information.

12. A technical conference on Avoided Costs Modeling was held on January 6, 2015, during which the Company responded to questions submitted by the parties and provided other information.

13. The Commission issued a First Order Amending the Scheduling Order January 12, 2015.

14. The Commission held another Status and Scheduling Conference January 21, 2015 and issued a Scheduling Order and Notices of Technical Conference and Hearing on January 23, 2015. Pursuant to this order, the Commission scheduled testimony as follows: Direct Testimony responding to the RMP Study and Avoided Cost Input Changes Report and/or Alternative Proposals due April 28, 2015; Technical Conference (Alternative Proposals), May 6, 2015; Rebuttal Testimony due May 28, 2015; Sur-rebuttal Testimony due June 11, 2015; and Hearings on June 18-19, 2015.

15. The Parties have engaged in discovery.

16. The Parties have held a series of settlement discussions commencing on February 23, 2015 and continuing through April 14, 2015. All

intervenors in the docket have been invited to participate in these settlement conferences, to the extent they had intervened on the date the settlement discussions were held.

17. The Parties have now reached agreement on most of the issues raised by parties in this matter, with the exception of the RMP Study, including queue management, power purchase agreement milestones and avoided cost modeling updates and agree that the following settlement terms are in the public interest and will result in rates that are just and reasonable.

SETTLEMENT TERMS

AVOIDED COSTS MODELING ASSUMPTIONS

18. The Parties agree that the Company will identify and explain new or updated assumptions used in modeling avoided costs in its quarterly compliance filings for Schedule 38, and that such updated assumptions will not necessitate an amendment to this Stipulation.

19. The Parties agree that the Company will classify new and updated assumptions as either “Routine Updates” or “Non-Routine Updates”. Routine Updates will be incorporated into avoided cost pricing without prior notification or agreement from the parties. A Non-Routine Update may be incorporated into the avoided cost pricing only after it has been identified in a Schedule 38 quarterly compliance filing, copies of which will be sent to any party who has requested receipt of the same, and either: i) the Non-Routine Update was unchallenged by any party for a period of three weeks after the filing of the quarterly compliance report, or ii) the Non-Routine Update is

challenged by any party and resolution is reached either by settlement or later Commission action.

20. The Parties agree that parties may challenge or file comments on both Routine Updates and Non-Routine Updates and the Company may file reply comments. The Commission may be asked to determine whether any challenged updates should be included in avoided cost pricing, and whether challenged updates should be considered Routine or Non-Routine.

21. The Parties agree that Routine Updates are intended to refresh basic model inputs in order to keep the GRID model current, and typically involve changes in operating data that are expected and measurable. Some Routine Updates are implemented shortly after occurrence, such as contract changes or QF pricing queue changes. Many Routine Updates are done on a quarterly basis, such as the updated official forward price curve, the addition of new long-term contracts, changes to the Company's long-term load forecast, new or changed contracts for electricity and natural gas, fuel price forecasts, pipeline expenses, wheeling expenses, electric and gas swaps, actual QF costs, short-term sales, and existing plant attributes such as changes in capacity, derates, and start-up attributes. Other Routine Updates are done on a semi-annual or other periodic basis, such as inputs to the rolling average historical base period including forced and planned outage rates, heat rate coefficients, market capacity limits, and short-term transmission rights, updated inputs to a Commission-approved method for calculating intermittent resource

integration costs, and the timing and nature of resources in the preferred portfolio reflected in a Commission-filed Integrated Resource Plan (“IRP”) or IRP update.

22. The Parties agree that Non-Routine Updates include adding a transmission bubble to the GRID topology, making post-hoc adjustments to the official forward price curves (e.g., to remove carbon costs), changes in calculation methodologies or departures from Commission-approved modeling techniques (e.g., hourly wind shape vs. flat 6-hour block wind shape), and other changes that are reasonably expected to be substantive or difficult to measure. Any party may request Commission guidance on whether a particular update should be considered Routine or Non-Routine.

23. The Parties agree to the following schedule to address contested Routine Updates and Non-Routine Updates, which may include those identified in a quarterly compliance filing:

a. Parties will file a notice with the Commission within three weeks after the Company files its quarterly compliance filing, to identify which specific assumptions, if any, they intend to contest. Failure of any party to file such notice will not preclude later challenges, but will result in incorporation of unchallenged Non-Routine Updates into avoided cost modeling.

b. A party filing a challenge will ask the Commission to hold a scheduling conference to set a reasonable schedule to address any challenges or other relevant issues.

QF Pricing Queue Management and Power Purchase Agreement Milestones

24. The Parties agree to the changes to QF pricing queue management and the power purchase agreement milestones and to other modifications to Schedule 38 tariff, as set forth in the Revised Schedule 38 attached as Exhibit A.

Transitional Procedures; Unresolved Issue

25. Upon Commission approval of this Stipulation, the Company will promptly notify each QF project currently in the QF pricing queue for which a power purchase agreement has not yet been executed of the requirements of this Stipulation and the new tariff provisions, of such project's status under the new tariff provisions, and of the amount of time remaining for such project to complete the next step to remain in the QF pricing queue under the new tariff requirements, which time shall be a minimum of thirty (30) additional days from the date of notice.

26. The Parties represent that no agreement has been reached with regard to the RMP Study and its capacity contribution values.

GENERAL TERMS AND CONDITIONS

27. Not all Parties agree that each aspect of this Stipulation is warranted or supportable in isolation. Utah Code Ann. §54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just

and reasonable in result. While the Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

28. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation, and in accordance with Utah Admin. Code R746-100-10.F.5, neither the execution of this Stipulation nor any Order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

29. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same or a Commission Order approving the same shall in any manner be argued or considered as precedential in any future case except with regard to issues expressly called-out and intended to be resolved on an ongoing basis by this Stipulation. This Stipulation does not resolve and does not provide any

inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called-out and settled herein.

30. The Parties request that the Commission hold a hearing on this Stipulation. Rocky Mountain Power, the Division of Public Utilities (“DPU”), and the Office of Consumer Services (“OCS”) each will, and other Parties may, make one or more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission’s approval of this Stipulation. As applied to the DPU and the OCS, the explanation and support shall be consistent with their statutory authority and responsibility.

31. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use reasonable efforts to support the terms and conditions of this Stipulation. As applied to the DPU and the OCS, the phrase “use reasonable efforts” means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review proceeding in opposition to the Stipulation.

32. Except with regard to the obligations of the Parties under the five immediately preceding paragraphs of this Stipulation, this Stipulation

shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission.

33. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

34. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

DATED this — day of April 2015.

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