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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision and Request for Accounting Order</p>	<p>Docket No. 14-035-147</p> <p>APPLICATION FOR APPROVAL OF TRANSACTION AND FOR A DEFERRED ACCOUNTING ORDER</p>
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I. INTRODUCTION

PacifiCorp, doing business as Rocky Mountain Power (“Company”), requests that the Public Service Commission of Utah approve a transaction to close the Deer Creek Mine located near Huntington, Utah, and related matters. The mine is currently operated by Energy West Mining Company (“Energy West”), a wholly-owned subsidiary consolidated with PacifiCorp for

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regulatory purposes. This application (“Application”) is filed by the Company, on its own and on behalf of Energy West.

The closure of the Deer Creek Mine consists of four major components: (1) the Company will permanently close the Deer Creek Mine and incur direct closure costs (“Closure”); (2) Energy West will withdraw from the United Mine Workers of America (“UMWA”) 1974 Pension Trust, incurring a withdrawal liability; (3) the Company will sell certain mining assets as defined later in the Application (“Mining Assets”); and (4) the Company will execute a replacement coal supply agreement (“CSA”) for the Huntington power plant and an amended CSA for the Hunter power plant. Energy West has also settled its retiree medical obligation related to Energy West union participants (“Retiree Medical Obligation”). Together, the components of the Closure and settlement of the Retiree Medical Obligation constitute the transaction to close the Deer Creek Mine (“Transaction”). The Company further requests that the Commission find that the Company’s decision to consummate the Transaction is prudent and in the public interest.

Pursuant to Utah Code Ann. § 54-4-23, the Company requests that the Commission allow it to defer for current and/or future recovery: (1) the costs associated with the Closure; (2) the unrecovered investment in the Deer Creek Mine and the Mining Assets; (3) all payments associated with the withdrawal from the UMWA 1974 Pension Trust; (4) any losses associated with settlement of the Retiree Medical Obligation; and (5) the incremental costs and benefits of fueling costs related to the Transaction, including costs associated with the new Huntington power plant and amended Hunter power plant CSAs, as described in more detail later in this Application.

The sale of the Mining Assets and the execution of the CSAs are contractually contingent upon regulatory approval and Transaction closure on or before May 31, 2015. There is sufficient

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time for the Commission to review and approve the transaction using nearly the full statutory timeframe of 180 days permitted by Utah Code Ann. § 54-17-402(6). To the extent possible, the Company respectfully requests that the Commission issue its order by May 27, 2015, which is only approximately two weeks prior to the expiration of the 180-day statutory timeframe. This will allow the Company two business days prior to the deadline for closing the Transaction, and Commission approval represents the last expected regulatory action needed to complete the Transaction. The Company will promptly provide information requested by the Commission or interested parties and will further participate in technical conferences and hearings as required by the Commission or as requested by interested parties to facilitate issuance of an order on or prior to May 27, 2015.

In support of this Application, the Company states as follows:

II. THE APPLICANT

1. The Company is a public utility providing retail electric service to customers in the six western states of Utah, Wyoming, Idaho, Oregon, Washington and California and wholesale electric service throughout the Western United States.

2. The Company provides electric service to retail customers in the state of Utah, through its Rocky Mountain Power division. The Company serves approximately 840,000 customers and has approximately 2,400 employees in Utah.

3. This Application is filed pursuant to Utah Code Ann. §§ 54-4-1 (general jurisdiction), 54-4-21 (valuation of public utilities), 54-4-23 (accounts and records of utilities), 54-4-26 (contracts calling for expenditures), 54-17-402 (voluntary request for approval of a resource decision) and Utah Admin. Code R746-401-3 (sale of utility and nonutility assets) and

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R746-440-1 to R746-440-3 (voluntary resource decision). This Application also serves as the Company's report under Utah Admin. Code R746-401-3.

The Company requests that all notices, correspondence and pleadings with respect to this Application be sent to:

For Rocky Mountain Power:

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With a copy to:

Gregory B. Monson
D. Matthew Moscon
Stoel Rives LLP
201 South Main Street, Suite 1100
Salt Lake City, Utah 84111
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In addition, formal correspondence and requests for additional information regarding this matter should be addressed to:

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

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

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Informal inquiries related to this Application should be directed to Bob Lively, Utah Regulatory Affairs Manager, at (801) 220-4052.

III. BACKGROUND

A. The Closure of The Deer Creek Mine

The Deer Creek Mine is located in Emery County, Utah and is operated by Energy West. It was acquired by the Company in 1977 and produces on average 3.5 million tons of coal annually. The mine's depreciable life currently runs through its expected reserve depletion in 2019.

The Deer Creek Mine is the primary source of coal for the nearby Huntington power plant, which annually consumes on average 2.8 to 2.9 million tons. The mine also supplies some coal to the Hunter power plant. The mine was expected to meet the coal supply needs of the Huntington power plant and a portion of the coal supply needs of the Hunter power plant until the mine's reserve depletion, forecasted in 2019.

The Company is proposing to close the Deer Creek Mine now for two primary reasons. First, the mine's mining costs and pension liabilities are sharply increasing. Second, the mine is producing lower quality coal which, in turn, has reduced the volume of coal produced. At the same time, the coal market in Utah has changed, market supplies are more available, and the advantages of owning coal mining assets in Utah have lessened. Together, these issues have combined to make continued operation of the Deer Creek Mine less economic than closure.

1. Increasing Mining Costs and Pension Liabilities

The workforce at the Deer Creek Mine is represented by the UMWA. Mining costs have sharply escalated at the mine, particularly related to pension liability and healthcare costs. The most recent UMWA agreement expired in January 2013. After almost two years of negotiations,

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Energy West reached a labor settlement with the UMWA on October 31, 2014. While the settlement allows Energy West to settle its Retiree Medical Obligation in exchange for a transfer of certain assets to UMWA, Energy West was unable to contain other rising costs through the labor settlement.

Energy West is obligated to make contributions to the 1974 Pension Trust, a multi-employer pension plan in which assets are pooled so that contributions by one employer are used to provide benefits to employees of other participating employers. The financial condition of the 1974 Pension Trust has deteriorated dramatically over the last several years. As of the last valuation on June 30, 2013, the deficit between the market value of the assets and the present value of the vested benefits was approximately \$5.5 billion.

The only way for Energy West to limit its future financial obligations to the 1974 Pension Trust is to withdraw from the plan. Involuntary withdrawal would occur upon the last contributory hour being worked by the Company's UMWA workforce. This could be effectuated by sale or closure of the Deer Creek Mine. Beginning in 2012, Energy West sought potential buyers for the Deer Creek Mine but did not receive any competitive offers. Mine closure is now the exclusive means by which Energy West may limit its pension liability.

At the time of withdrawal, Energy West will be obligated to pay a withdrawal liability equal to its proportionate share of the unfunded vested benefits as of the last valuation date. The most recent estimate of the withdrawal liability is approximately \$126 million, an amount that will balloon if Energy West continues to participate in the plan.

Under the most recent labor settlement, Energy West remains responsible for almost 100 percent of the healthcare costs for active workers, with employees paying only a very minimal

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co-payment and with no premium cost sharing. Energy West's health-care costs are now considerably higher than the health-care costs of the Company's other union workforce.

2. Lower Coal Quality and Reduced Production

As Energy West sought to develop additional areas of the Deer Creek Mine's reserves, it discovered significant volumes of high ash and high sulfur coal. When the mine produces high ash and high sulfur coal, Energy West must transfer most of the coal from the Huntington power plant to the Preparation Plant for blending with lower ash coals to meet coal quality specifications. Limitations on physical transfer capacity and maximum stockpile capacity at the Huntington power plant require the Deer Creek Mine to reduce production when this blending is necessary.

In situations of poor coal quality, the Deer Creek Mine is required to operate on a single ten-hour shift instead of two ten-hour shifts. As a result, the mine's annual production is significantly reduced with associated increases in overall production costs.

IV. THE TRANSACTION

A. Sale of Mining Assets

Because of the changes in the Company's fuel supply strategy for the Huntington and Hunter power plants, the Company proposes to sell the Mining Assets to its CSA supplier, Bowie Resource Partners, LLC ("Bowie"): (1) the Preparation Plant and related assets located in Emery County, Utah (collectively, the "Preparation Plant"); (2) the central warehouse facility and related assets located in Emery County, Utah (Central Warehouse); and (3) the Trail Mountain Mine and related assets located in Emery County, Utah ("Trail Mountain Mine"). In addition, the Transaction includes the assets of Fossil Rock Fuels LLC ("Fossil Rock"), a wholly owned subsidiary of the Company; collectively, referred to as the "Mining Assets". Accordingly, the

Company requests that the Commission approve the sale of the Mining Assets to Bowie and find such sale prudent.

Bowie is a Delaware limited liability company and one of the nation's largest western bituminous coal producers. Bowie has a diverse portfolio of four mining operations in Utah and Colorado that annually produces an aggregate of 14 million tons of high-BTU, low-sulfur bituminous coal. Bowie's mines include some of the most productive and longest, continuously-operating mines in the United States. It has three longwall mining operations, the Bowie Mine, the Skyline Mine, and the Sufco Mine. It also has one room-and-pillar operation, the Dugout Canyon Mine.

Bowie is also a current coal supplier for the Hunter power plant pursuant to a coal supply agreement entered into in 1999.

1. Sale of the Preparation Plant

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement for the Preparation Plant ("Preparation Plant APA"), attached to the direct testimony of Ms. Cindy A. Crane as Confidential Exhibit RMP___(CAC-1).

Under the Preparation Plant APA, the Company agrees to sell and Bowie agrees to purchase the Preparation Plant for [REDACTED]. In addition, Bowie agrees to pay the Company, at closing, the value of the Company's working capital assets (consisting primarily of parts and supplies inventories) used in connection with the Preparation Plant. Bowie also agrees to assume and discharge certain liabilities, including all reclamation and asset retirement obligations related to the Preparation Plant Assets.

2. Sale of the Central Warehouse

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement for the Central Warehouse (Central Warehouse APA), attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP____(CAC-2).

Under the Central Warehouse APA, there is no stated monetary consideration for the transfer of the Central Warehouse from the Company to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all asset retirement obligations for the Central Warehouse Assets.

3. Sale of the Trail Mountain Mine

In 1992, the Company purchased Trail Mountain Mine. Coal production began at the Trail Mountain Mine with continuous mining in 1994, but ended in 2001 due to the depletion of existing reserves, the long lead time to acquire adjacent reserves, and the availability of competitively priced external coal. Although closed in 2001, the Trail Mountain Mine has not been reclaimed.

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement for the Trail Mountain Mine (“Trail Mountain APA”), attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP____(CAC-3).

Under the Trail Mountain APA, there is no stated monetary consideration for the transfer of the Trail Mountain Mine to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all mine reclamation and asset retirement obligations for the Trail Mountain Assets.

B. Sale of the Fossil Rock Fuels, LLC Assets

In 2011, the Company formed an affiliate, Fossil Rock Fuels, LLC (“Fossil Rock”), a Delaware limited liability company and a wholly-owned direct subsidiary of the Company. Fossil Rock was formed for the purpose of holding and administering two Utah state coal leases in Emery County, Utah (“Fossil Rock Coal Leases”). The Company acquired the Fossil Rock Coal Leases in 2011. Although the Company has undertaken exploration activities on the coal reserves, the Company has not commenced any mining operations within these leases.

Fossil Rock is the holder of the Fossil Rock Coal Leases, along with other related assets, referred to as the “Fossil Rock Assets”.

On December 12, 2014, Fossil Rock and Bowie entered into the Asset Purchase and Sale Agreement for the Fossil Rock Assets (Fossil Rock APA), attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP____(CAC-4).

Under the Fossil Rock APA, Fossil Rock agrees to sell and Bowie agrees to purchase the Fossil Rock Assets for [REDACTED], and to reimburse Fossil Rock for any additional coal lease payments that may become due prior to closing of the Fossil Rock APA. Bowie also grants a [REDACTED] [REDACTED] to the Company on all coal produced from the Fossil Rock Coal Leases. In its conservative analysis of the benefits of the Transaction, the Company includes no potential royalty revenue. However, to the extent the Transaction is approved by the Commission as prudent, the Company will track the royalties with the intent to pass back to customers any royalties received pursuant to the Fossil Rock APA.

In addition, Bowie agrees to assume and discharge certain liabilities, including: (1) all mine reclamation and asset retirement obligations with respect to the Fossil Rock Assets, whether arising before or after the closing date, including the obligation to replace Fossil Rock’s

reclamation bonds related to the Fossil Rock Coal Leases; (2) the post-closing obligations of Fossil Rock under the Fossil Rock Coal Leases or equipment leases that arise after the closing date; and (3) all obligations and liabilities under Fossil Rock's existing permits and applications for permits appurtenant or related to the Fossil Rock Coal Leases arising after the closing date.

Because Fossil Rock's book value is approximately [REDACTED], there is no gain on the sale of the Fossil Rock Assets.

C. Conditions Precedent to Closing the Asset Purchase Agreements

The Preparation Plant APA, the Central Warehouse APA, the Trail Mountain APA, and the Fossil Rock APA are each contractually conditioned on obtaining all necessary regulatory approvals and close of the Transaction on or before May 31, 2015.

D. Long-Term Coal Supply Agreement for the Huntington Power Plant

Along with the asset purchase agreements, on December 12, 2014, the Company and Bowie entered into a long-term coal supply agreement for the Huntington power plant ("Huntington CSA"), attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP___(CAC-5). Under the Huntington CSA, Bowie agrees to supply the Company's coal requirements for the Huntington power plant from the close of the Transaction to December 31, 2029, subject to minimum and maximum obligations and according to certain quality specifications.

Over the term of the Huntington CSA, the price per ton escalates in steps from [REDACTED] to [REDACTED] for the first [REDACTED] delivered in any contract year, with a reduction in price of [REDACTED] per ton for delivery in excess of [REDACTED] during the contract year.

The Huntington CSA is also contractually conditioned on obtaining all necessary regulatory approvals and close of the Transaction on or before May 31, 2015.

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As discussed in the direct testimony of Ms. Crane and Mr. Schwartz, the terms of the Huntington CSA are favorable and the delivered fuel prices are projected to be lower than the estimated costs to continue mining the Deer Creek Mine until depletion in 2019 and obtaining coal from the market thereafter. In addition, the Huntington CSA provides the Company with broad termination rights in the event existing or new environmental obligations adversely affect the Company's ability to burn coal at the Huntington power plant.

E. Amended Long-Term Coal Supply Agreement for the Hunter Power Plant

In 1999, the Company and Arch Coal Sales Company (Arch) entered into a coal supply agreement for the Hunter power plant. In 2013, Bowie acquired Arch's Utah mines, took assignment of the agreement and became the primary supplier of coal to the Hunter power plant. The current term of the agreement extends through December 31, 2020.

Based on varying coal qualities and economic supply opportunities, coal for the Hunter power plant is also supplemented by other coal supplies, including from the Deer Creek Mine. Following the close of the Transaction, Bowie will acquire title to the Preparation Plant, along with the obligation to undertake any required stockpiling and blending for the Hunter power plant. As a result of the change in ownership and operation of the Preparation Plant, an amendment to the existing coal supply agreement for the Hunter power plant ("Hunter CSA") is necessary to change the point and duration at which coal quality is measured. Additional revisions relating to annual coal nomination dates are also addressed in the Hunter CSA, attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP___(CAC-6).

V. PUBLIC INTEREST AND CUSTOMER BENEFIT OF THE TRANSACTION

The Company recommends approval of the closure of the Deer Creek Mine and the sale of the Mining Assets to Bowie because the Transaction results in a lower cost option than

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continuing to invest in and operate the Deer Creek Mine through depletion of reserves in 2019. Accordingly, the Company requests that the Commission approve the Transaction and find the Company's decision to consummate the Transaction to be prudent and in the public interest.

The Company's analysis, attached to the direct testimony of Ms. Crane as Confidential Exhibit RMP___(CAC-7) demonstrates that its customers will benefit from the Deer Creek Mine Closure, withdrawal from the UMWA's 1974 Pension Trust, sale of the Mining Assets, and execution of the CSAs. To measure the impact on revenue requirement, three present value differential scenarios were developed: (1) the Keep Case vs. the Transaction Case, (2) the Keep Case vs. the Market Case and (3) the Market Case vs. the Transaction Case. The analysis also compares the net present value of the revenue requirement for each of three scenarios for three time periods, from now through 2029 (the term of the Huntington CSA), 2036 (the current depreciable life for the Huntington power plant) and 2042 (the current depreciable life for the Hunter power plant).

The Company's analysis for all three analysis periods, 2029, 2036 and 2042, shows that customers are better off in the Transaction Case, with between \$ [REDACTED] and \$ [REDACTED] in net present value revenue requirement reductions compared to the Keep or Market Cases. The Company's Keep Case vs. Market Case only produces between \$ [REDACTED] and [REDACTED] in revenue requirement reduction benefit, therefore demonstrating even further that the Transaction Case is in the best interest of customers. These results are before any incremental net benefits due to Fossil Rock Asset royalties. The financial analysis and impact of the sale on customers is discussed in greater detail in the direct testimony of Ms. Crane.

VI. REQUEST FOR ORDER AUTHORIZING ACCOUNTING TREATMENT AND DEFERRAL

The Company respectfully requests authorization to record and defer certain costs associated with the Transaction as described below, with the deferred amounts subject to a carrying cost equal to the Company's current authorized rate of return during the deferral period unless associated with amounts already included in rate base. Specifically, the Company seeks authorization to defer costs associated with: (1) the costs associated with the Closure; (2) the unrecovered investment in the Deer Creek Mine and the Mining Assets; (3) the liability for all future estimated payments associated with the withdrawal from the UMWA 1974 Pension Trust; (4) any settlement losses associated with the Retiree Medical Obligation; and (5) the incremental costs and benefits of fueling costs related to the transaction.

The Application relies on the Uniform System of Accounts and Generally Accepted Accounting Principles, which allows deferral of identifiable utility expenses or revenues to the period in which the underlying expense or revenue will be included in determining customers' rates. The deferrals will facilitate the Company's ability to recover the prudently incurred costs to consummate the Transaction and effectuate the UMWA pension withdrawal for which the Company seeks approval in this Application. In support of these requests, the Company provides the following:

A. Description of Utility Expense

A detailed description of the total costs for which the Company is seeking deferred accounting from the Commission is attached to the direct testimony of Mr. Douglas K. Stuver as Confidential Exhibit RMP___(DKS-1). At a high-level, the estimated costs associated with the Transaction, including estimated unrecovered investment in the Deer Creek Mine and the Mining

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Assets to be sold and excluding the Fossil Rock Assets in plant held for future use to be sold at book value, are as follows (in millions):

Utility Expense	\$ Millions
Deer Creek Mine Closure	
Unrecovered Investment	
Deer Creek Mine	\$86
Mining Assets	
UMWA 1974 Pension Trust Withdrawal	
Retiree Medical Obligation Settlement Loss	
Estimated Total	

1. Deer Creek Mine Closure

The Company will incur costs associated with the Deer Creek Mine Closure following cessation of mining. As described in Mr. Stuver's direct testimony, these costs include: (1) supplemental unemployment and medical benefits to be provided to union employees; (2) severance benefits to be provided to non-union employees; (3) certain royalties; (4) unrecovered reclamation costs; and (5) on-going labor costs associated with the closure work and the installation of bulkheads in the coal seams and to seal the mine portals. While a significant portion of these costs will be recognized for accounting purposes in 2014, certain of these costs will be incurred in 2015 and 2016. The Company estimates these costs will be approximately [REDACTED] on a total-Company basis, or approximately [REDACTED] on a Utah-allocated basis and proposes that the amounts ultimately recovered be trued-up to reflect the actual costs incurred, including a carrying charge equal to the Company's authorized rate of return. The Company proposes to defer these closure-related costs into a regulatory asset, account 182.3, until later incorporated in base rates and recovered over an amortization period of five years with the unrecovered balance included in rate base, reduced by any accrued and unpaid closure costs.

2. Unrecovered Investment

The Company will incur a loss on the sale of the Mining Assets [REDACTED]. Accordingly, the Company expects to have a total unrecovered investment associated with the Transaction of approximately [REDACTED] on a total-Company basis, or approximately [REDACTED] on a Utah-allocated basis. Specifically, the unrecovered investment of approximately \$86 million in the Deer Creek Mine includes approximately \$5 million of construction work-in-progress and preliminary survey and investigation costs. Further, the unrecovered investment of approximately [REDACTED] in the Mining Assets includes approximately: (1) \$20 million for the Preparation Plant (excluding any consideration associated with the sale) and includes \$0.5 million of construction work-in-progress; (2) \$0.3 million for the Central Warehouse, with no offset for proceeds from the sale to Bowie; and (3) \$0.7 million for the Trail Mountain Mine, comprised substantially of Utah distribution assets, with no offset for any proceeds from the sale to Bowie. The unrecovered investment is summarized in the following table:

Unrecovered Investment	\$ Millions
Deer Creek Mine	\$86
Mining Assets	
Preparation Plant	\$20
[REDACTED]	
Central Warehouse	\$0
Trail Mountain Mine	\$1
Total Mining Assets	
Total Unrecovered Investment	

The Company proposes to establish several regulatory assets and to transfer the unrecovered investment from the relevant subaccounts of FERC Account No. 101, Plant in Service (predominantly FERC Account No. 399, Mining Facilities) to FERC Account No. 182.3,

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Regulatory Assets. These amounts are estimates, and deferred amounts will be trued-up to actual costs.

The Company proposes to amortize these amounts on a basis consistent with the current rate of depreciation reflected in base rates. The Company proposes that at the time rates are next reset, the remaining unrecovered investments in the Deer Creek Mine and the Mining Assets be amortized and recovered over a period of three years.

Until such time that rates are reset through the Company's next general rate case, the Company requests permission to recover the unrecovered investment in the Deer Creek Mine and the Mining Assets through the inclusion of the amortization in the Energy Balancing Account (“EBA”) or other appropriate mechanism without application of any existing sharing bands and the unamortized balance be subject to a return set at the Company’s allowed rate of return in order to provide the Company full recovery of unrecovered investment.

The Company is currently authorized to recover 100 percent of its depreciation expense in base rates related to Deer Creek and the Mining Assets. That recovery is accomplished through recovery of fuel costs included in base net power costs and the EBA. While incremental changes in net power costs that are not reflected in base rates are subject to the sharing mechanism, the base rate charges, including depreciation, are not. Accordingly, it would not be equitable to apply the 30 percent sharing band to these costs as a result of consummating the Transaction that benefits customers. The Company also requests that it continue to earn a return on the unrecovered investments based upon the amount currently reflected in rates.

3. UMWA 1974 Pension Trust Withdrawal

The Company has assumed that the annual installment payment method to satisfy its withdrawal liability will be elected. At the time of withdrawal, Energy West will pursue

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discussions with the 1974 Pension Trust to determine if either the lump sum option or a negotiated one-time pre-payment of the annual installments is more economical for customers than the on-going annual installment payments.

In the meantime, the Company proposes to defer the accounting loss associated with the 1974 Pension Trust withdrawal liability, with recovery of annual payments to occur until they are no longer required.¹ The Company estimates that the present value of this liability on an accounting basis (required to be discounted at a risk-free rate) will be \$ [REDACTED] on a total-Company basis, or approximately \$ [REDACTED] on a Utah-allocated basis.

The annual installment payment is expected to be approximately \$3 million. Because this payment is not sufficient to pay down the principal, the \$3 million annual payment will be treated for now as continuing in perpetuity. As a result, the regulatory asset (and withdrawal liability) will not amortize and, therefore, would not be subject to adjustment. In the future, when the plan terminates or the accrual of future benefits is frozen, the liability will then be adjusted to reflect the future expected payments. In that event, the Company would propose that the regulatory asset also be adjusted to reflect the remaining payments and begin to amortize the regulatory asset concurrent with recovery in rates over that remaining payment period. The Company proposes that both the regulatory asset and withdrawal liability be included in rate base. The amounts will be offsetting unless or until the plan terminates or the lump-sum scenario is pursued. In the event the lump sum option is elected or a negotiated pre-payment of the installment payments is achieved, the Company proposes that the amount be deferred until the next rate reset, with rate base treatment of the unrecovered amount.

¹ Annual contributions to the 1974 Pension Trust are currently reflected in base net power costs and are expected to equal the on-going withdrawal payments under the annual installment method.

4. Retiree Medical Obligation

The Company proposes to defer the estimated [REDACTED] accounting loss associated with the settlement of its Retiree Medical Obligation. The settlement loss is computed under generally accepted accounting principles as described in more detail in Mr. Stuver's direct testimony and represents amounts that would have been charged to expense in the future absent the settlement. The Company will defer any settlement loss into a separate subaccount for account 182.3, regulatory assets, for unrecognized amounts associated with the retiree medical plan (otherwise known as FAS 106). The Company proposes that the component of the regulatory asset related to the settlement loss be amortized and recovered over a period of three years beginning with the next rate case, while the remainder of the FAS 106 regulatory asset continues to be amortized in accordance with FAS 106.

5. Fossil Rock

The Utah portion of Fossil Rock Coal Lease costs is included in FERC Account 105, Plant Held for Future Use. Since the asset is being sold, the Company proposes to apply any revenue resulting from the return on rate base associated with Fossil Rock against the regulatory asset for the unrecovered investment and closure costs until the Plant Held for Future Use balance associated with Fossil Rock is removed from rate base in the next general rate case. This will be accomplished by deferring the current revenue requirement into a contra regulatory asset account to be used as an offset against the regulatory asset associated with the closure costs.

6. Incremental Costs/Benefits of Fueling Costs related to the Transaction

Currently, the Company recovers the costs to fuel the Huntington and Hunter power plants as a component of the Company's net power costs, including depreciation of the Deer Creek Mine and the Mining Assets included in base net power costs as noted above. After the

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Deer Creek Mine closure and sale of the Mining Assets, the Company will continue to incur costs to fuel these plants through the inclusion of the costs of the Huntington and Hunter CSAs.

As discussed in more detail in the direct testimony of Ms. Crane, to the extent that the costs of the Huntington and Hunter CSAs and other replacement fuel costs for the Huntington and Hunter power plants plus the amortization of the unrecovered investments during the deferral period exceed the current revenue requirement associated with the costs to fuel the Huntington and Hunter power plants (inclusive of the depreciation expense associated with the Deer Creek Mine and Mining Assets), the Company proposes such amounts be deferred for future recovery. Conversely, if the costs of the new fuel supply portfolio plus amortization of the unrecovered investments during the deferral period are less than the current revenue requirement associated with the costs to fuel the Huntington and Hunter power plants (inclusive of the depreciation expense), the Company proposes such amount be deferred for future return to customers. The Company proposes that the amount be deferred through the EBA without application of any existing sharing bands in order to fully reflect the incremental costs or benefits associated with the replacement fuel supply. When base net power costs are reset in the Company's next general rate case, the Company proposes that costs to fuel the Huntington and Hunter power plants be reset to reflect the CSAs and then-current forecast of costs to fuel the plants.

In order to determine the amount of the incremental fueling cost differential, the Company proposes to multiply the total MMBtu (consumed) for the two plants included in base net power costs times the difference between the weighted-average cost per MMBtu (consumed) included in base net power costs for the Huntington and Hunter power plants and the actual

weighted-average cost per MMBtu (consumed) during the deferral period.² The actual weighted-average cost per MMBtu during the deferral period will be determined on a basis consistent with the agreed-upon methodology of the EBA.

B. Impact of No Deferral

In the absence of being permitted to establish the requested regulatory assets and associated accounting treatment, the Company would charge the amounts proposed to be deferred generally to account 501, fuel expense. These costs are expected to occur for the most part in the fourth quarter of 2014, with certain costs to be incurred in 2015 and 2016. This would result in charges of approximately [REDACTED] for the Deer Creek Mine Closure costs, unrecovered investments and the Retiree Medical Obligation settlement loss, and [REDACTED] for the UMWA pension withdrawal (under the installment method). Substantially all of the aggregate [REDACTED] charge would flow through the next EBA rate change.

The Company proposes that the Commission approve this Application and authorize deferral of the costs. The Company proposes to amortize the deferred amounts described above to account 501, fuel costs, with the exception of the settlement loss on the Retiree Medical Obligation, which the Company proposes be amortized as part of the Company's on-going retiree medical plan costs. To the extent the regulatory asset associated with the 1974 Pension Trust withdrawal is not being amortized, the Company proposes that the on-going annual payments to the 1974 Pension Trust continue to be charged to account 501, fuel costs. The Company further proposes rate base treatment of any unamortized regulatory assets, net of the 1974 Pension Trust withdrawal obligation and certain other liabilities described in Mr. Stuver's direct testimony. Until the Commission approves this Application and authorizes recovery, the Company will

² The weighted-average cost per MMBtu included in base net power costs and actual results will both include the annual payments to the 1974 Pension Trust. The Commission established base net power costs on August 29, 2014 in Docket No. 13-035-184.

defer the costs as described above to the extent recovery is considered probable and requests a carrying charge during the deferral period equal to the Company's authorized rate of return on any amounts not already included in rate base.

VII. VOLUNTARY REQUEST FOR APPROVAL OF A RESOURCE DECISION

In addition to approving the Closure, sale of the Mining Assets, execution of the Coal Supply Agreements and authorizing deferred accounting, the Company requests that the Commission determine that the Company's decision to enter into the Transaction is prudent. This request is supported by the testimony and exhibits of Ms. Cindy Crane, Mr. Seth Schwartz and Mr. Douglas Stuver filed with this Application.

This Voluntary Request meets the requirements under Utah Code Ann. § 54-17-401 *et al.* (the "Voluntary Request Statute") and Utah Admin. R746-440-1 *et seq.* (the "Voluntary Request Rules," collectively referred to hereinafter, with the Voluntary Request Statute, as the "Voluntary Request Laws.") To obtain approval under the Voluntary Request Laws, the Company must include the information required under the Voluntary Request Rules. The testimony supporting the Application includes all of the information required, as follows:

The direct testimony of Ms. Crane includes a detailed description of the Company's decision to undertake the Transaction. Ms. Crane's direct testimony includes an analysis of the Company's projected total system revenue requirement with and without the Transaction. The direct testimony of Mr. Schwartz includes further information supporting the prudence of the Transaction.

Through the testimonies of Ms. Crane and Mr. Schwartz, the Company provides sufficient data and information to permit an analysis and verification of the conclusions reached by the Company. The direct testimony of Mr. Stuver includes financial information

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demonstrating adequate financial capability to implement the Company's decision to enter into the Transaction. The proposed contracts the Company has negotiated are appended to Ms. Crane's testimony filed with this Application. Finally, no additional government approvals, other than the approvals of the Company's public utility commissions in some of the states in which it operates, are needed or required to enter into the Transaction.

In addition, in ruling on a request for approval of a resource decision, the Commission must determine whether the decision is in the public interest, taking into consideration:

- (i) Whether it will most likely result in the acquisition, production, and delivery of utility services at the lowest reasonable costs to the retail customers of an energy utility located in this state;
- (ii) Short-term and long-term impacts;
- (iii) Risk;
- (iv) Reliability;
- (v) Financial impacts on the energy utility; and
- (vi) Other factors determined by the commission to be relevant.

The Company's decision to enter into the Transaction is in the public interest, and is expected to result in the acquisition of coal resources at the lowest reasonable costs to the Company's Utah retail customers.

The Company is requesting a prudence determination even though the Company is not concurrently requesting that all of the costs of the Transaction be included in rates at this time. In this case, the magnitude of the potential risk to the Company and customers associated with foregoing this opportunity together with the scope of the requested Transaction, support the Commission's determination of prudence at this stage of the implementation process.

As described above and in the supporting testimony, the Transaction is the culmination of a lengthy process whereby Energy West attempted to mitigate its pension and other labor liability exposure through a multi-pronged strategy, including negotiations with the UMWA and attempting to sell the Deer Creek Mine. The effort has been in process for several years. At the

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same time, due to changes in the coal industry, the value to customers of the Company owning its own coal supply in Utah was diminishing compared to market alternatives. When the mitigation efforts proved unsuccessful together with the realities of the coal supply market fundamentals in Utah, the Company concluded that the next rational step was to pursue closure of the Deer Creek Mine. The Company's analysis demonstrates that the Closure of the mine, together with the remaining elements of the Transaction will provide significant long-term customer benefits. However, the Transaction is a significant undertaking affecting both the Company's long-term coal fuel strategy and mining assets in Utah and Energy West's mining costs and pension liabilities. The Company acknowledges the significance and scope of the Transaction, and has attempted to address the concerns of the Commission and interested parties related to the Transaction before closing the Transaction so that the Commission can examine the prudence of the Company's decision to consummate the Transaction now.

VIII. PREFILED TESTIMONY AND ATTACHMENTS ACCOMPANYING APPLICATION

The following witnesses sponsor testimony in support of this Application:

1. Cindy A. Crane, President and CEO, Rocky Mountain Power, will provide testimony on the proposed Transaction with Bowie and the closure of the Deer Creek Mine, and explain why the Transaction is in the best interest of Rocky Mountain Power and its customers and is in the public interest;
2. Douglas K. Stuver, Senior Vice President and Chief Financial Officer of PacifiCorp, will provide testimony on the proposed accounting and regulatory treatment of the Transaction, including the financial impacts of the withdrawal from the 1974 Pension Trust and settlement of the Retiree Medical Obligation; and

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3. Seth Schwartz, President of Energy Ventures Analysis, Inc., will provide testimony on the 1974 Pension Trust, the financial impacts of Energy West's withdrawal liability associated with the plan, and the benefits of the Transaction related to securing a long-term supply of coal for the Huntington and Hunter Plants and closure of the Deer Creek Mine.

IX. REQUEST FOR RELIEF

WHEREFORE, the Company respectfully requests relief as follows:

1. Notice a scheduling conference to set a schedule for December 18, 2014 for interested parties to file comments and reply comments on this request, and for any technical conferences deemed useful for the Commission or interested parties, and for a hearing on the approval and for other processes and procedures deemed reasonable or necessary by the Commission;

2. Authorize the Company to defer the costs and apply the accounting treatment as described in this Application to continue with or facilitate future recovery of all costs associated with the Transaction, UWMA pension withdrawal and settlement of the Retiree Medical Obligation;

3. Determine that the Company's decision to consummate the Transaction is prudent and in the public interest;

4. Approve the Application to close the Deer Creek Mine, sell the Mining Assets and enter into the Coal Supply Agreements as described in the Application on or before May 27, 2015, which is only approximately two weeks short of the 180-day period permitted by Utah Code Ann. § 54-17-402(6); and

5. Grant such other relief as the Commission deems necessary and proper.

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DATED: December 15, 2014.

Respectfully submitted,

ROCKY MOUNTAIN POWER

A handwritten signature in blue ink that reads "Yvonne R. Hogle". The signature is written in a cursive style with a large initial "Y".

R. Jeff Richards
Yvonne R. Hogle
Rocky Mountain Power

Gregory B. Monson
D. Matthew Moscon

Stoel Rives LLP

Attorneys for Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **APPLICATION FOR APPROVAL OF TRANSACTION AND FOR A DEFERRED ACCOUNTING ORDER** to be served upon the following by electronic mail to the addresses shown below on December 15, 2014:

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