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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Purchase and Transfer Agreement and Power Supply Agreement with Navajo Tribal Utility Authority and Amendment of Certificate of Public Convenience and Necessity	Docket No. 15-035-84 SETTLEMENT STIPULATION
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This Settlement Stipulation (“Stipulation”) is entered into by and among all of the parties to this docket (collectively referred to herein as the “Parties” and individually as a “Party”).

1. The Parties have conducted several settlement discussions. This Stipulation has been entered into by the Parties after consideration of the views expressed during that process by all Parties.

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 this

Stipulation and all of its terms and conditions and approve the application of PacifiCorp doing business as Rocky Mountain Power (“Rocky Mountain Power” or the “Company”) in this docket consistent with the Stipulation. 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 December 21, 2015, Rocky Mountain Power filed an application, together with pre-filed testimony and exhibits from four witnesses (“Application”), requesting that the Commission (1) approve the Purchase and Transfer Agreement (“PTA”) between Rocky Mountain Power and the Navajo Tribal Utility Authority (“NTUA”), as amended by the First Amendment to the Purchase and Transfer Agreement (“First Amendment to PTA”) and the Second Amendment to the Purchase and Transfer Agreement (“Second Amendment to PTA”); (2) approve the Power Supply Agreement (“PSA”) between Rocky Mountain Power and NTUA, as amended by the First Amendment to the Power Supply Agreement (“First Amendment to PSA”); (3) find the entire proposed transaction, including the PTA and PSA, prudent, and (4) amend Certificate of Public Convenience and Necessity No. 1118 (“Certificate”) issued to Rocky Mountain Power to remove the geographic area in San Juan County, Utah, within the boundaries of the Navajo Nation in which NTUA is responsible to provide electric service (known in the PTA as the “NTUA Assumed Service Territory”).

4. On December 22, 2015, the Commission issued its Notice of Scheduling Conference setting a scheduling conference to be held January 6, 2016.

5. On January 12, 2016, the Commission issued its Scheduling Order setting a procedural schedule. Hearings were scheduled to begin May 19, 2016, with a public witness hearing scheduled to begin at 5:00 p.m. on May 19, 2016.

6. On January 27, 2016, the Commission issued a Notice of Technical Conference, setting a technical conference for February 9, 2016.

7. During the technical conference, information was provided and questions were answered by Rocky Mountain Power, NTUA and Resolute Natural Resources Company, LLC (“Resolute”). Resolute indicated that it opposed approval of the Application given the PTA and PSA as filed.

8. In addition to the information provided during the technical conference, the Utah Office of Consumer Services (“Office”), the Utah Division of Public Utilities (“Division”), NTUA and Resolute, have conducted discovery of the Company and other Parties.

9. On February 29, 2016, following submission of a motion by Resolute and responses by certain parties, the Commission issued its Notice of Public Witness Hearing and Invitation to Submit Legal Briefing, setting an additional public witness hearing scheduled to begin at 5:00 p.m. on May 17, 2016 at the Bluff Community Center in Bluff, Utah, to allow individuals whom the Application stands to affect a reasonable opportunity to address the Commission near the affected service territory.

10. On March 30, 2016, Rocky Mountain Power filed a Joint Motion for Suspension of Procedural Schedule on behalf of all Parties. The Joint Motion stated that Rocky Mountain Power and NTUA had executed further amendments to the PTA and PSA to address issues raised by Resolute and requested that the procedural schedule be suspended to allow the filing of the amendments and review of the amendments by the Parties.

11. Commencing on April 5, 2016, the Parties held several meetings to review the amendments and to discuss settlement of this matter. During the course of the meetings, Rocky

Mountain Power responded to informal discovery requests of the Office and Division, and Rocky Mountain Power, NTUA and Resolute responded to questions of the Office and Division.

12. On April 27, 2016, Rocky Mountain Power filed supplemental testimony, including as exhibits the Third Amendment to Purchase and Transfer Agreement (“Third Amendment to PTA”) and the Second Amendment to Power Supply Agreement (“Second Amendment to PSA”). Rocky Mountain Power has also agreed to submit additional supplemental testimony in support of the Application.

13. The Parties have reached a settlement as specified herein on the Application consistent with the terms and conditions provided in this Stipulation.

14. This Stipulation is intended to resolve all issues in this docket.

SETTLEMENT TERMS

For purposes of this Stipulation, the Parties agree and recommend the Commission approve the following:

15. The Parties agree that the Commission should: (i) approve the PTA as amended (hereinafter references to the PTA will be to the PTA as amended by the First, Second and Third Amendments to PTA) and the PSA as amended (hereinafter references to the PSA will be to the PSA as amended by the First and Second Amendments to PSA) and (ii) find the PTA and PSA prudent and in the public interest.

16. The Parties agree that the Commission should amend the Company’s service territory under the Certificate by deleting the NTUA Assumed Service Territory as defined in the PTA from the Company’s service area subject to the terms of the PTA, including that Rocky Mountain Power may continue to provide service to Resolute through the balance of the term of the current Master Electric Service Agreements between the Company and Resolute. The Parties agree that the Commission’s approval order should be conditional on (i) completion of the transfers

of facilities and customers from the Company to NTUA as provided in the PTA and (ii) the Electric Service Agreement entered into between NTUA and Resolute dated May 12, 2016 becoming effective according to its terms.

17. Rocky Mountain Power agrees to notify the Commission of approval of its applications regarding the PTA and PSA by the Idaho, Oregon and Wyoming commissions within 15 days following the last of those approvals. Rocky Mountain Power also agrees to notify the Commission of the Closing, Interim Changeover and the Resolute Changeover, each as defined in the PTA, within 15 days following the Closing Date, the Interim Changeover Date and the Resolute Changeover Date, each as defined in the PTA.

18. The Parties agree that the Commission should approve Rocky Mountain Power ceasing to provide electrical service to the 14 customers identified in the PTA located adjacent to but outside the boundary of the Navajo Nation Reservation and currently served by the Company through facilities to be transferred by the Company to NTUA in accordance with the terms of the PTA.

19. The Parties acknowledge that this Stipulation is being agreed to in advance of and without knowledge of testimony that might be provided by affected customers at the public witness hearing on May 17, 2016. In the event any Party believes that material and meritorious concerns have been raised by the affected customers at such public witness hearing, the Parties will promptly meet to attempt in good faith to reasonably resolve any such material and meritorious concerns of such customers. This Stipulation shall not preclude any Party from proposing reasonable conditions to approval of this Stipulation and the Application deemed necessary to resolve any such material and meritorious concerns.

20. The Parties agree that Rocky Mountain Power should be permitted to recover in its Utah rates costs incurred by the Company under Sections 2.5.4 and 3.4 of the PTA to the extent such costs are not offset by savings resulting from the PTA and PSA. This agreement does not preclude any Party from challenging recovery of the costs incurred by the Company on the basis that the Company did not implement these sections of the PTA in a prudent manner nor does it preclude the Company from seeking recovery of any costs of providing service to its customers.

21. For purposes of this Stipulation, Rate-Effective Date means the day on which rates set in the Company's next general rate case after this Stipulation is filed become effective. The Parties agree that the Commission should issue an accounting order authorizing the Company to defer costs incurred by the Company in accordance with: (i) Section 2.2.4 of the PTA through the Rate-Effective Date, (ii) the maximum amount of costs the Company may incur under Section 2.2.5 of the PTA, subject to a true-up of the amortization of such amount to the amount actually incurred by the Company in the event the Company incurs less than the maximum amount of costs as provided in Section 2.2.5 of the PTA, and (iii) transaction costs, as defined in Section 2.7.2 of the PTA, incurred by the Company in excess of the amount to be reimbursed by NTUA under Section 2.7.2 of the PTA through the Rate-Effective Date. The Parties agree that amounts deferred pursuant to this paragraph shall not bear carrying charges during the period of the deferral and that they shall be amortized starting with the Rate-Effective Date over a period of time approved by the Commission in the Company's next general rate case with the unamortized balance included in rate base.

22. The Parties agree that Commission approval of this Stipulation and of the PTA and PSA does not foreclose any Party from taking any position with regard to modifications to Schedule 9 of the Company's tariff or to any other schedule or provision of the Company's tariff

that applies to Schedule 9 that may impact the amounts NTUA is required to pay the Company for electric service under the PSA, including, without limitation, with regard to recovery of any costs associated with any early retirement of the Company's coal-fueled plants.

23. The Parties stipulate to the admission into evidence of all testimony that has been or will be filed in this docket. This stipulation to the admission of the testimony does not represent an agreement by the Parties as to any positions taken in such testimony.

GENERAL TERMS AND CONDITIONS

24. Not all Parties necessarily 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 may not be 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.

25. 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 the 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.

26. The Parties agree that no part of this Stipulation or the formulas and methods 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 forever resolved 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.

27. Subject to the terms of paragraph 19: (i) the Parties request that the Commission hold a hearing on this Stipulation, (ii) Rocky Mountain Power, the Office and the Division each will, and other Parties may, make one or more witnesses available to explain and offer further support for this Stipulation, (iii) the Parties shall support the Commission's approval of this Stipulation, and (iv) as applied to the Office and the Division, the explanation and support shall be consistent with their statutory authority and responsibility.

28. Subject to the terms of paragraph 19: (i) 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 its best efforts to support the terms and conditions of this Stipulation, (ii) as applied to the Office and the Division, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authority and responsibility, and (iii) 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.

29. 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.

30. 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 pursuant to this paragraph prior to participating in a meeting of the Parties in compliance with the foregoing sentence. If any Party withdraws from the Stipulation pursuant to this paragraph, 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.

31. 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.

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DATED this ____ day of May, 2016.

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