
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF
ROCKY MOUNTAIN POWER TO DECREASE
THE DEFERRED EBA RATE THROUGH THE
ENERGY BALANCING ACCOUNT
MECHANISM

Docket No. 16-035-01

SETTLEMENT STIPULATION

This Settlement Stipulation (“Stipulation”) is entered into in Docket No. 16-035-01 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 conducted settlement discussions to which all intervenors were invited on September 7, 2016, and September 16, 2016. All intervenors are Parties to the Stipulation.

2. 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 filed in this proceeding and on this Stipulation and issue an appropriate order thereon.

3. Pursuant to its application dated March 15, 2016 (“Application”), Rocky Mountain Power (“RMP” or the “Company”) originally requested to recover Energy Balancing Account (“EBA”) costs in this matter of approximately \$18.9 million, comprised of \$11.3 million in deferred EBA Costs for calendar year 2015, reduced by approximately \$2.8 million in coal fuel expense savings at the Hunter and Huntington plants related to the Deer Creek Mine closure and not subject to the sharing band; plus approximately \$1.3 million in accrued interest; plus approximately \$9.0 million representing the Utah-allocated Deer Creek mine amortization

expense. In its direct testimony, the Company adjusted its initial request to a total of approximately \$16.2 million.

4. In direct testimony, the Company made the following adjustments: i) an increase to the EBA of approximately \$0.4 million representing a correction to the Company's original calculation of the coal fuel savings related to the Deer Creek Mine closure and ii) a reduction to the EBA of approximately \$2.9 million representing the non-fuel savings related to the settlement of the Deer Creek Retiree Medical Obligation. Together, these amounts resulted in the Company's first adjusted request of approximately \$16.2 million in EBA costs.

5. As part of settlement, the Parties agree that the Company will reverse the correction to coal costs raised in the Company's rebuttal case in the amount of \$357,000, for a revised request of approximately \$15.8 million.

6. From this amount, the Parties further agree to the following further adjustments: 1) \$500,000 resolving issues raised in this Docket related to recovery of accrued interest stemming from disputes regarding implementation of the Deer Creek stipulation; and 2) \$250,000 resolving other adjustments proposed in this Docket. Subject to Commission approval, the Parties agree the Company should recover a total amount of approximately \$15.0 million.

7. The Parties agree that, subject to Commission approval of this Stipulation, effective November 1, 2016, the final EBA amount in this Docket, reflecting the deferred EBA costs of approximately \$15.0 million, should be collected over one year and should accrue interest at the approved interest rate under Schedule 94 during the collection period.

8. The Parties agree to the rate spread and the rate design for this amount consistent with the Company's initial filing, as shown in Attachment A to this Agreement.

9. The Parties request that the Commission issue its order in this Docket in time for the approved rate change to become effective November 1, 2015.

10. With respect to the Company's participation in and the stated benefits of the California Independent System Operator energy imbalance market ("EIM"), and the settlement accounting of the Company's EIM transactions, the Company agrees to provide support for Parties in gaining a better understanding of the EIM market, specifically, the calculation of the stated benefits and accounting for settlements. To facilitate this understanding, the Company will make available to Parties all underlying data developed and obtained by the Company for the analysis of market performance. In addition, the Company will hold a technical workshop on September 29, 2016, that will include, without limitation, the following:

- Review of market operations, specifically including the preparation and submission of bids for participating resources;
- Review of benefits as reported by CAISO, including an explanation of the counterfactual calculation;
- Review of information and data submitted to and reported by the CAISO available for analysis of market performance;
- Demonstration of the Company's calculation of margin earned on inter-regional transfers; including revenue received and identification of marginal cost of transfers; and
- Review of the EIM settlement process, including timelines for invoicing, adjustments, and dispute resolution.

Additional technical workshops will be held as necessary.

11. The Company affirms that any future filings in which the Company seeks approval from the Commission for expansion of participation with an independent system operator, will include a demonstration of net incremental benefits beyond those achieved through participation in the EIM and other available courses of action.

12. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same, or the types of expenses and revenues that should be included in net power costs or in base rates, or a Commission order approving the same in this case shall in any manner be argued or considered as precedential in any future case except with regard to issues expressly called-out and 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.

13. Not all Stipulating Parties agree that each aspect of this Stipulation is supportable in isolation. Utah Code Annotated Section 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Stipulating Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Stipulating Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

14. 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 Administrative Code R746-100-10.F.5, Parties are free to raise issues that are not expressly agreed to herein including, without limitation, deferral of the benefits of bonus tax depreciation. Neither the execution of this Stipulation nor the order adopting it, shall be deemed to constitute an admission or acknowledgement 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.

15. The Parties request that the Commission accept into the record all testimony filed in this Docket and consider testimony on the record and this Stipulation at the hearing scheduled in this Docket. The Company, the Division of Public Utilities (“Division”) and the Office of Consumer Services (“Office”) each will, and any other Party that has intervened in these proceedings may, make one or more witnesses available to explain and offer further support for this Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

16. 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 September, 2016.

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