

WRA EXHIBIT ____ (NK-3)

Utah Letter Agreement

Rocky Mountain Power
Exhibit RMP__(JRS-3)
Docket No. 19-035-42
Witness: Joelle R. Steward

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Joelle R. Steward

Utah Letter Agreement

December 2019

LETTER AGREEMENT BETWEEN ROCKY MOUNTAIN POWER AND CERTAIN UTAH PARTIES RELATED TO INTERIM PERIOD RESOURCE REASSIGNMENT FILINGS IN CONNECTION WITH THE MSP 2020 PROTOCOL

Rocky Mountain Power (“PacifiCorp”) and the Utah Division of Public Utilities, the Utah Office of Consumer Services, Utah Clean Energy, Western Resource Advocates, Wolverine Fuels, and the Utah Association of Energy Users (“the Utah Parties,” and together with PacifiCorp, “the Parties”) enter into this letter agreement (the “Utah Agreement”), dated this 27th day of November, 2019. The Parties are currently involved in negotiation of the 2020 PacifiCorp Inter-jurisdictional Allocation Protocol (the “2020 Protocol”) and wish to set forth a process to address certain aspects of Resource Reassignment in connection with the 2020 Protocol. Undefined terms used herein with initial capitalization shall have the same meanings as in the 2020 Protocol.

1. Introduction.

Consistent with Section 4.2 of the 2020 Protocol, upon receipt of any Exit Order, PacifiCorp shall analyze whether it is just and reasonable and in the public interest to continue operating the affected coal-fueled Interim Period Resource for customers in one or more States that have not issued an Exit Order. PacifiCorp may propose to allocate or assign an additional fixed percentage of any affected resource’s costs and benefits to customers in States that have not issued an Exit Order (“Reassignment”) or it may propose Closure of the resource, or any other course of action it recommends based on its analysis.

2. Agreement.

In consideration of the Parties’ support of the 2020 Protocol, and the obligations and rights herein, PacifiCorp agrees to file in Utah for approval of any and all Reassignment proposals in compliance with this Utah Agreement.

For the limited purpose of evaluating a Reassignment proposal, the Parties intend that this Utah Agreement modify and expand PacifiCorp’s integrated resource planning and energy resource procurement analyses by incorporating the requirements contained herein.

Within the context of fixed allocation factors for generation resources, a Reassignment application filed by PacifiCorp with the Public Service Commission of Utah (“UPSC”) to allocate or assign an additional fixed percentage of any resource’s costs and benefits to Utah should be evaluated as a type of resource acquisition decision and reviewed from a Utah-specific planning perspective in light of Utah’s load and resource balance. If PacifiCorp proposes to allocate or assign an additional percentage of an Interim Period Resource to Utah, PacifiCorp shall bear the burden of proof and must make an affirmative demonstration that the Reassignment is just and reasonable and in the public interest of its Utah retail customers.

2(a). Process and timelines.

Pre-filing meeting. At least 90 days prior to a Reassignment filing with the UPSC, or at least 30 days after an Exit Order entered by a Commission after October 1, 2020, PacifiCorp shall convene

at least one meeting with the Utah Parties to disclose and discuss any proposals for Reassignment of Interim Period Resources and the assumptions it plans to use in its analysis as well as the rationale for those assumptions. PacifiCorp and the Utah Parties shall work in good faith to achieve consensus on the assumptions PacifiCorp will use. If PacifiCorp changes an assumption or modeling approach after the pre-filing meeting, PacifiCorp agrees to notify the Utah Parties of such change and the rationale behind it.

Filing and UPSC process. The 2020 Protocol identifies a timeline for expected filings related to Reassignment cases on at least February 1, 2021, and June 30, 2024. The Pre-filing meeting referenced above will be held at least 90 days prior to each such filing date. PacifiCorp will request that the UPSC open a docket at least 30 days prior to these filing dates. To the extent additional Reassignment cases are filed, PacifiCorp shall ask the UPSC to open a docket and provide notice to the Utah Parties at least 30 days before filing for Reassignment. Following filing, parties shall have 14 days to challenge the completeness of the filing. If a party challenges the completeness of the filing, PacifiCorp and other parties should have an opportunity to respond within a reasonable timeframe. The Parties will request that the UPSC issue an order on any such challenge as soon as practicable. The Parties agree that they will not seek to stay the proceeding on the basis of the Commission's decision on completeness. The parties agree an order on completeness may not be challenged on appeal until after the Commission has rendered its final order on the Company's application.

PacifiCorp shall make a complete filing with the UPSC, consistent with the filing requirements in Section 2(c) of this Utah Agreement.

The Parties agree to recommend to the UPSC that the initial testimony of intervening parties shall be due no sooner than four months following the date of PacifiCorp's filing for approval of a Reassignment, and to recommend that there be at least one month between each subsequent round of testimony.

If PacifiCorp makes any material changes to any assumptions or proposals after its initial filing without agreement from all Parties, all Parties will meet to discuss an extension and work in good faith to reach an agreement on extended filing dates.

2(b). Public Interest Determination.

PacifiCorp shall file data, analyses, and justifications sufficient for the UPSC to determine whether a proposed Reassignment is just and reasonable, in the public interest, and in the interest of its Utah retail ratepayers. The Parties believe that the information provided in the filing requirements identified in Section 2(c) of this Agreement should provide a sufficient basis for the UPSC to make such findings.

2(c). Filing Requirements.

For a Reassignment proposal, PacifiCorp shall prepare an evaluation of its proposal compared to a reasonable range of alternatives. This evaluation shall use PacifiCorp's planning models and evaluate the proposed Reassignment within the context of Utah's load and resource balance, in addition to a total system approach.

If PacifiCorp makes a proposal to Reassign more than one Interim Period Resource, PacifiCorp's complete filing shall include an economic evaluation of each generating unit independently as well as in various economic combinations. The filing shall be sufficiently detailed to allow for unit-by-unit analysis and for the UPSC to determine whether to approve none, some, or all of the proposed unit Reassignments.

Prior to filing a proposal for Reassignment, PacifiCorp shall update its planning assumptions to be as current and accurate as practicable, utilizing its own, industry, and other relevant information. If PacifiCorp has received proposals in response to a procurement solicitation within six months of filing for Reassignment, PacifiCorp shall use those results, updated as appropriate, as resource cost assumptions in its analysis.

As part of its evaluation of alternatives, PacifiCorp shall provide an explanation of the benefits, costs and risks associated with its Reassignment proposal. Because of the uniqueness of the Reassignment process and risks associated with coal-fueled Resources, PacifiCorp's filing shall include a robust explanation of the types and magnitudes of potential benefits, costs or risks associated with uncertain outcomes, including policy changes or catastrophic events.

PacifiCorp's filing of a Reassignment proposal shall also include testimony and exhibits providing at least the following:

- A description of the Reassignment proposal;
- Information to demonstrate that PacifiCorp has complied with this Agreement;
- The purposes and reasons for the Reassignment proposal;
- Information to demonstrate whether and why UPSC approval of the proposed Reassignment is just and reasonable and in the public interest of its Utah retail customers;
- An analysis of the estimated or projected costs associated with the Reassignment proposal;
- Descriptions and comparisons of other resources or alternatives evaluated or considered in lieu of the proposed Reassignment, including assumptions and analysis. Information related to assumptions of other alternatives should include:
 - Flexibility assumptions for both load and supply-side resources;
 - Methods for evaluating revenue requirement impacts associated with different portfolios and resource ownership models (e.g. utility-ownership, power purchase agreements) and a discussion on whether they would result in any differences among classes of customers;
 - Assumptions regarding interconnection and transmission implications, including transmission availability as generating assets retire; and
 - Cost, capacity, energy, flexibility, and ancillary services assumptions for supply-side resources, flexible load resources, and demand side management resources.
- Identification of all information, data, models and analyses used by PacifiCorp to evaluate the Reassignment;
- Sufficient data, information, spreadsheets, and models to permit analysis and verification of the conclusions reached and models used in developing the Reassignment proposal;

- An analysis of the estimated effect of the Reassignment on PacifiCorp's revenue requirement in each year and on a net present value basis through the expected life of the relevant resource(s);
- Load forecasts and how they are calculated, including load forecasting and weather-normalization methods;
- Capacity and energy forecasts from resources assigned to Utah;
- Utah's load and resource balance;
- Wholesale electricity market price forecasts;
- Natural gas price forecasts;
- Coal price forecasts, coal supply agreements, coal contract renewal dates, and benefits and risks associated with those agreements;
- Carbon price assumptions. PacifiCorp shall include analyses using at least:
 - A zero carbon cost case;
 - A medium carbon cost case;
 - A high carbon cost case;
 - A social cost of carbon case. Unless updated or agreed to by the Utah Parties, PacifiCorp shall use the "Central Value" (3% discount rate) social cost of carbon estimate from the Interagency Working Group on Social Cost of Greenhouse Gases, as updated in 2016. This number is not intended to represent any position or agreement by any Party on the accuracy or utility of the social cost of carbon, or its relevance to ratemaking or planning before the UPSC; and,
 - In the event a Federal carbon policy is implemented, PacifiCorp will review the assumptions on carbon with the Utah Parties at the Pre-Filing Meeting to determine if any or all of the above four identified cases are still necessary or if alternative scenarios would be required.
- Cost and timing of planned or known investments in coal units proposed to be Reassigned and other coal units, including O&M investments, major overhauls, and capital additions;
- Financial information demonstrating adequate financial capability to implement the Reassignment;
- Information to show that PacifiCorp has or will obtain any required authorizations from the appropriate governmental bodies for the Reassignment;
- Identification of uncertainties that PacifiCorp is aware of related to the Reassignment;
- Information related to reliability associated with the Reassignment;
- Information on the effect of the Reassignment proposal on the CO2 emissions attributable to Utah customers. and
- Identification of all other relevant information in support of the requested approval.

3. Signatures of Parties to the Utah Agreement

This Utah Agreement is entered into by each Party on the date entered below such Party's signature.

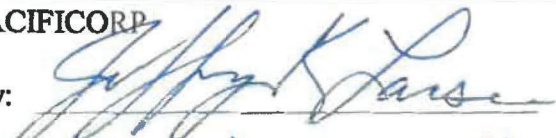

PACIFICORP By: <u><i>Giffy Larsen</i></u> Title: <u><i>SVP, Strategic Business Planning</i></u> Date: <u><i>11/27/19</i></u>	UTAH DIVISION OF PUBLIC UTILITIES By: <u><i>[Signature]</i></u> Title: <u><i>DIRECTOR</i></u> Date: <u><i>11/27/19</i></u>
UTAH OFFICE OF CONSUMER SERVICES By: _____ Title: _____ Date: _____	UTAH ASSOCIATION OF ENERGY USERS By: _____ Title: _____ Date: _____
UTAH CLEAN ENERGY By: _____ Title: _____ Date: _____	WOLVERINE FUELS, INC. By: _____ Title: _____ Date: _____
WESTERN RESOURCE ADVOCATES By: _____ Title: _____ Date: _____	

PACIFICORP By: <u><i>Jeffrey K. Larsen</i></u> Title: <u><i>SVP, Strategic Business Planning</i></u> Date: <u><i>11/27/19</i></u>	UTAH DIVISION OF PUBLIC UTILITIES By: _____ Title: _____ Date: _____
UTAH OFFICE OF CONSUMER SERVICES By: <u><i>Michelle Beck</i></u> Title: <u><i>Director</i></u> Date: <u><i>11-27-19</i></u>	UTAH ASSOCIATION OF ENERGY USERS By: _____ Title: _____ Date: _____
UTAH CLEAN ENERGY By: _____ Title: _____ Date: _____	WOLVERINE FUELS, INC. By: _____ Title: _____ Date: _____
WESTERN RESOURCE ADVOCATES By: _____ Title: _____ Date: _____	

PACIFICORP By: <u><i>Gifford Larsen</i></u> Title: <u><i>SVP, Strategic Business Planning</i></u> Date: <u><i>11/27/19</i></u>	UTAH DIVISION OF PUBLIC UTILITIES By: _____ Title: _____ Date: _____
UTAH OFFICE OF CONSUMER SERVICES By: _____ Title: _____ Date: _____	UTAH ASSOCIATION OF ENERGY USERS By: <u><i>[Signature]</i></u> Title: <u><i>Counsel</i></u> Date: <u><i>11/27/19</i></u>
UTAH CLEAN ENERGY By: _____ Title: _____ Date: _____	WOLVERINE FUELS, INC. By: _____ Title: _____ Date: _____
WESTERN RESOURCE ADVOCATES By: _____ Title: _____ Date: _____	

PACIFICORP By: <u>[Signature]</u> Title: <u>SVP, Strategic Business Planning</u> Date: <u>11/27/19</u>	UTAH DIVISION OF PUBLIC UTILITIES By: _____ Title: _____ Date: _____
UTAH OFFICE OF CONSUMER SERVICES By: _____ Title: _____ Date: _____	UTAH ASSOCIATION OF ENERGY USERS By: _____ Title: _____ Date: _____
UTAH CLEAN ENERGY By: <u>[Signature]</u> Title: <u>Staff Attorney</u> Date: <u>11/27/19</u>	WOLVERINE FUELS, INC. By: _____ Title: _____ Date: _____
WESTERN RESOURCE ADVOCATES By: _____ Title: _____ Date: _____	

PACIFICORP By: <u>[Signature]</u> Title: <u>SVP, Strategic Business Planning</u> Date: <u>11/27/19</u>	UTAH DIVISION OF PUBLIC UTILITIES By: _____ Title: _____ Date: _____
UTAH OFFICE OF CONSUMER SERVICES By: _____ Title: _____ Date: _____	UTAH ASSOCIATION OF ENERGY USERS By: _____ Title: _____ Date: _____
UTAH CLEAN ENERGY By: _____ Title: _____ Date: _____	WOLVERINE FUELS, INC LLC By: <u>[Signature]</u> Title: <u>Chief Administrative Officer</u> Date: <u>11/27/19</u>
WESTERN RESOURCE ADVOCATES By: _____ Title: _____ Date: _____	

<p>PACIFICORP</p> <p>By: <u></u></p> <p>Title: <u>SVP, Strategic Business Planning</u></p> <p>Date: <u>11/27/19</u></p>	<p>UTAH DIVISION OF PUBLIC UTILITIES</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>
<p>UTAH OFFICE OF CONSUMER SERVICES</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>UTAH ASSOCIATION OF ENERGY USERS</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>
<p>UTAH CLEAN ENERGY</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>WOLVERINE FUELS, INC.</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>
<p>WESTERN RESOURCE ADVOCATES</p> <p>By: <u></u></p> <p>Title: <u>Senior Staff Attorney</u></p> <p>Date: <u>November 27, 2019</u></p>	