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April 30, 2013

VIA ELECTRONIC FILING AND FIRST CLASS MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UE 264

Attention Filing Center:

Enclosed for filing in Docket UE 264 are an original and five copies of PacifiCorp's Supplemental Opening Testimony of Gregory N. Duvall. Also enclosed are three CDs containing a workpaper in support of the supplemental testimony.

A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed service list.

Please contact this office with any questions.

Very truly yours,

Katherine McDowell

Enclosures

Docket No. UE 264
Exhibit PAC/400
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Supplemental Opening Testimony of Gregory N. Duvall

REDACTED

April 2013

Q. Are you the same Gregory N. Duvall who previously submitted testimony in this proceeding on behalf of PacifiCorp d/b/a Pacific Power (Company)?

A. Yes.

PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your supplemental opening testimony?

A. The purpose of my testimony is to provide background and analysis demonstrating the prudence of a contract or contracts for [redacted] natural gas supply. Market metrics permitting, the Company plans to execute one or more long-term natural gas contracts (LTNG contracts) in 2013 and include the contract(s) in this case (2014 TAM) in the Reply or Final Transition Adjustment Mechanism (TAM) Update. The Company is filing this supplemental testimony now, before the execution of the LTNG contracts, to give parties a full opportunity to review and provide testimony on the contracts.

Q. Had the Company decided to enter into the LTNG contracts when you filed opening testimony?

A. No. The Company is acquiring the LTNG contracts through its 2012 Natural Gas Request for Proposals (2012 Natural Gas RFP). The Company issued the 2012 Natural Gas RFP in response to collaborative processes on natural gas hedging in Oregon, Utah, and other states. When the Company filed the 2014 TAM, it was awaiting pre-approval from the Utah Public Service Commission (Utah PSC) for up to [redacted] transaction groups from the 2012 Natural Gas RFP. On April 19, 2013, the Utah PSC issued an order approving a stipulation recommending pre-approval of these LTNG contracts with pricing that yields a market ratio[1] at or below 100 percent and meets explicit price parameters.[2] The Company now intends to move forward with the LTNG contracts when and if the contracts meet these requirements.

Q. Did the Company propose to file this supplemental opening testimony when setting the schedule at the prehearing conference in this case?

A. Yes. The Company explained its proposal to file supplemental opening testimony at the prehearing conference in this case. No party objected to this proposal, and the case schedule reflects an April 30, 2013 filing date for supplemental opening testimony.

Q. Please summarize your testimony.

A. The 2012 Natural Gas RFP and the LTNG contracts are logical and constructive outcomes of the collaborative process to review the Company's hedging policies initiated in Oregon in docket UE 227, the Company's 2012 TAM. Responding to feedback from customers in Oregon and elsewhere, in 2012 the Company reduced its standard hedging time horizon to a maximum of 36 months. At the same time, the Company's regulators and customers expressed interest in the Company executing long-term natural gas hedges when market prices are low, as they are currently. To balance these interests, the Company indicated that it would consider executing longer-term hedges based on current market fundamentals and

[1] A market ratio is a cost-to-value ratio, in which "cost" is the numerator and "value" is the dominator. The "cost" is the bid price. The market "value" of a bid is assessed as a part of the RFP bid evaluation process. Both "cost" and "value" are levelized over the term of the bid in the equation. A lower market ratio reflects a more attractive product. The market ratio provides a comparison between bids with different terms, location of natural gas supply, delivery, settlement, and product type.

[2] *In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Acquire Natural Gas Resources*, Docket No. 12-035-102, Report and Order (April 19, 2013).

stakeholder feedback. The Company made clear that these longer-term transactions would require more review and documentation than standard hedges.

In May 2012, the Company issued the 2012 Natural Gas RFP to hedge a portion of its natural gas supply needs on a long-term basis. The RFP process was robust and included three meetings to brief stakeholders in Oregon and other jurisdictions. Based upon the results of the 2012 Natural Gas RFP, the Company now plans to execute the LTNG contracts in 2013, as long as they meet defined market ratios and price parameters designed to ensure the contracts' benefits to customers.

Through a [redacted], the LTNG contracts will cover approximately [redacted] percent of the Company's natural gas supply (measured in year four) based on current low natural gas market prices and forward price curves. The Company asks the Public Utility Commission of Oregon (Commission) to determine that the LTNG contracts are prudent and include them in rates beginning with the 2014 TAM. The LTNG contracts are within the Company's total hedging volume targets for the 36-month prompt period. Because the initial contract price is tied to market, the LTNG contracts will not affect rate levels in the 2014 TAM.

BACKGROUND ON 2012 NATURAL GAS RFP

Q. Over the last several years, have Oregon parties demonstrated an active interest in the Company's natural gas hedging policies and practices?

A. Yes. As a result of the sharp decline in natural gas prices over the last several years, losses resulting from the Company's natural gas hedging temporarily exceeded the market-purchase alternative. In the 2012 TAM, this led to litigation over the prudence of these losses and the reasonableness of the Company's underlying hedging policies.

In the Commission's final order in the 2012 TAM, the Commission rejected a challenge to the prudence of the Company's natural gas hedges and approved a stipulation among the Company, Commission Staff, Noble Americas Energy Solutions, LLC, and the Citizens' Utility Board of Oregon (CUB).[3] In that Stipulation, the Company agreed to a collaborative process on natural gas hedging in Oregon, similar to processes underway in other PacifiCorp jurisdictions.

Q. What did the stipulation in the 2012 TAM provide regarding an Oregon collaborative process on natural gas hedging?

A. Section 13 of the Stipulation in the 2012 TAM states:

> Hedging Policy. PacifiCorp agrees to enter into a series of workshops with interested parties to review PacifiCorp's going-forward hedging policy in detail and seek input from the interested parties on how the policy is implemented and whether the policy should be revised to better reflect customer risk tolerances and preferences. While all Parties agree that this is not, and will not be, stated to be a pre-approval process in any future prudence review, the Company agrees to implement appropriate policy changes on a going-forward basis that result from agreement in the collaborative process.[4]

Q. Did the Commission comment on this provision of the stipulation in its final order in the 2012 TAM?

A. Yes. The Commission's order included the following statement endorsing the

[3] *In the Matter of PacifiCorp, dba Pacific Power, 2012 Transition Adjustment Mechanism*, Docket UE 227, Order No. 11-435 (Nov. 4, 2011).
[4] *Id.*, Appendix A at 4.

goals of the collaborative process on natural gas hedging:

> We encourage Pacific Power to work with Staff and stakeholders in workshops, as the company has committed to do, to address any stakeholder concerns about the company's present and future hedging strategies. The company states that it welcomes *ex ante* direction from the Commission on the company's risk management policy and hedging program, which we believe should start with stakeholder involvement.[5]

Q. Consistent with the final order in the 2012 TAM, did the Commission convene a natural gas hedging workshop in Oregon in 2012?

A. Yes. The Commission convened a hedging collaborative workshop on March 19, 2012, with all three commissioners present. Representatives from Oregon's electric investor-owned utilities, Commission Staff and stakeholder groups all attended.

Q. At the workshop, did PacifiCorp explain how its natural gas hedging policy evolved in response to customer feedback in Oregon and other jurisdictions?

A. Yes. At the workshop, Mr. Stefan Bird, Senior Vice President of PacifiCorp Energy, made PacifiCorp's presentation, which is attached to my testimony as Exhibit PAC/401. Mr. Bird explained that the Company planned to revise its hedging policies in several material ways. Most notably for purposes of this testimony, Mr. Bird announced the Company's intention to reduce its standard hedging time horizon from 48 months to 36 months. In the 2012 TAM, both the Industrial Customers of Northwest Utilities (ICNU) and CUB had argued in favor of a 36-month hedging time horizon.

[5] *Id.* at 12.

Q. Did the Company indicate a continued willingness to execute non-standard, longer-term hedges?

A. Yes. Mr. Bird made clear that if market fundamentals and customer interests both aligned to support longer-term natural gas supply hedges, the Company would be willing to add such hedges to its portfolio. He noted that hedges greater than 36 months would require incremental documentation and senior executive approval.

Q. Did the workshop include additional discussion on long-term natural gas hedges?

A. Yes. The tension between policies that reduced overall hedging in response to current low market volatility and the interest in securing long-term natural gas supply at current low market prices was raised. Mr. Bird agreed that it was important to balance these competing goals and discussed the Company's intent to issue an RFP for longer-term natural gas resources. He noted that any longer-term hedge transaction would be subject to intensive internal and external review, due process, and documentation.

Q. At the hedging workshop, did the Company agree to begin filing a semi-annual hedging report in Oregon?

A. Yes. The Company has been filing this report in Oregon since April 2012.

2012 NATURAL GAS RFP ISSUANCE, RESPONSE, AND BID EVALUATION

Q. When did the Company issue the 2012 Natural Gas RFP?

A. On May 14, 2012, the Company issued the 2012 Natural Gas RFP seeking up to [redacted] MMBtu/day of firm [redacted] and [redacted] natural gas products deliverable to various receipt points starting in April 2013, with terms of up to [redacted] years for transactions consisting of a minimum of [redacted] MMBtu/day each.[6] A bidder workshop was held May 24, 2012, with bids due June 28, 2012.

Q. Did the Company hold meetings on the 2012 Natural Gas RFP for stakeholders in Oregon and elsewhere?

A. Yes. The Company held three stakeholder meetings on the 2012 Natural Gas RFP to which Oregon parties were invited. These meetings were held at each of the important stages of the 2012 Natural Gas RFP, including the selection of the final shortlist. Oregon parties were present at the stakeholder meetings, which were held on May 4, 2012, August 20, 2012, and March 21, 2013. The confidential presentations from these meetings are attached as Confidential Exhibits PAC/402 through PAC/404.

Q. Was there a robust response to the 2012 Natural Gas RFP?

A. Yes. The Company received a total of [redacted] bids and analyzed [redacted] of them. The Company did not analyze the other bids received because they were either deemed non-conforming or clearly not competitive with market.

Q. Please describe the different types of bids that were presented.

A. There were [redacted] types of bids including [redacted], [redacted].

[6] The 2012 Natural Gas RFP is at: www.pacificorp.com/sup/rfps/2012NatGasRFP.html.

Q. What process did the Company use to evaluate the bids received to develop an initial shortlist?

A. The Company evaluated the proposals against its forward price curves and volatility curves to develop an initial shortlist. The initial shortlist was created by calculating the market ratio of each bid, which as noted in footnote 1 above, is defined as bid cost divided by bid market value levelized over the term of the bid. All [redacted] bids and [redacted] bids that evaluated favorable to market, as well as [redacted] bid received in the RFP, were included on the initial shortlist. [redacted] were initially included on the initial shortlist. Cost of credit was not considered in the determination of the initial shortlist but was evaluated to determine the final shortlist.

Q. Which bids were excluded from the initial shortlist?

A. The Company excluded [redacted]

Q. What were the results of this analysis?

A. The initial shortlist contained [redacted] bids from [redacted] bidders. The initial shortlist is provided in Confidential Exhibit PAC/405.[7]

Q. What did the Company do next after determining the initial shortlist?

A. The Company further evaluated the initial shortlist to determine the cost of credit and credit terms and conditions for each of the bids on the initial shortlist. Bids

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7 [redacted]

that had a market ratio of less than 100 percent were retained for the final shortlist.

In addition to the bids that came in under 100 percent market ratio, [redacted]

Q. Please describe the bids included in the final shortlist.

A. The final short list consists of [redacted] selected transaction groups from [redacted] bidders: [redacted] Each of the [redacted] transaction groups included a [redacted] and [redacted] product. Confidential Exhibit PAC/406 includes a list of the bids in the final shortlist.

Q. Did the stipulation approved in Utah PSC Docket 12-035-102 further narrow the scope of potential transactions from the 2012 Natural Gas RFP?

A. Yes. The Utah Division of Public Utilities (DPU) and the Utah Office of Consumer Services (OCS) filed testimony in Utah PSC Docket 12-035-102 on March 5, 2013. In that testimony, both the DPU and OCS[9] recommended that the Company pursue a long-term natural gas supply contract [redacted]. The Utah parties focused on the transactions most favorable to customers on a cost basis

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8 [redacted]

9 The OCS also recommended a [redacted]. This recommendation was not included in the stipulation because the Company did not believe that it could correctly value this product against market due to data limitations.

and were less interested in diversity of products and term in the portfolio. Ultimately, the Company executed a stipulation with the DPU and OCS on March 19, 2013, which addressed [redacted] transaction group. The parties filed an amended version of the stipulation on March 28, 2013, a copy of which is attached as Confidential Exhibit PAC/407.[10]

Q. Please outline the material provisions of the Utah stipulation relating to transactions from the 2012 Natural Gas RFP.

A. Under the Utah stipulation, the parties agreed that the Company would seek to secure [redacted], whichever is priced more favorably to market. [redacted]. The Company agreed to execute only if the transaction: (1) meets the Company's internal credit quality requirements; and (2) has refreshed pricing that yields a market ratio below 100 percent calculated from the Company's forward price curve. The stipulation also dictated a pricing structure with a fixed price for the first two years aligned with current market prices[redacted].

[10] On April 9, 2013, the footnote on page 2 of the stipulation was amended to the following: [redacted]

2012 NATURAL GAS RFP UPDATE PROCESS

Q. Can you describe the bids from the final shortlist included in the Company's request for refreshed pricing?

A. Yes. The Company's selected bids from the final shortlist are the [redacted]. These bids showed the most value for customers and are the transactions addressed in the Utah stipulation. The bids include a [redacted] product. The [redacted] product is for [redacted] The [redacted] product is for [redacted] for [redacted] years at [redacted] delivered at [redacted]

Q. What process did the Company use to update the bids?

A. The Company asked the bidders to provide updated levelized prices on April 4, 2013, broken out into three separate prices. The refreshed bids were comprised of three prices: the first price for the remainder of 2013; a second price for calendar 2014; and a third price for [redacted]. As noted above, the first two prices were requested "at market" so that they do not impact net power costs in 2013 through 2014.

Q. Did the Company execute the LTNG contracts after receiving the refreshed bids on April 4, 2013?

A. No. The Company reevaluated bid prices and the refreshed bids did not meet the pricing parameters and market ratio test.

Q. Does the Company expect to execute the LTNG contracts in 2013?

A. Yes. The Company intends to monitor the market for up to [redacted] months and seek updated pricing when it appears that the pricing parameters and market ratio tests may be satisfied. At that point, the Company will execute the LTNG contracts and include the contract(s) in a TAM Update in this case.

PRUDENCE OF THE LTNG CONTRACTS

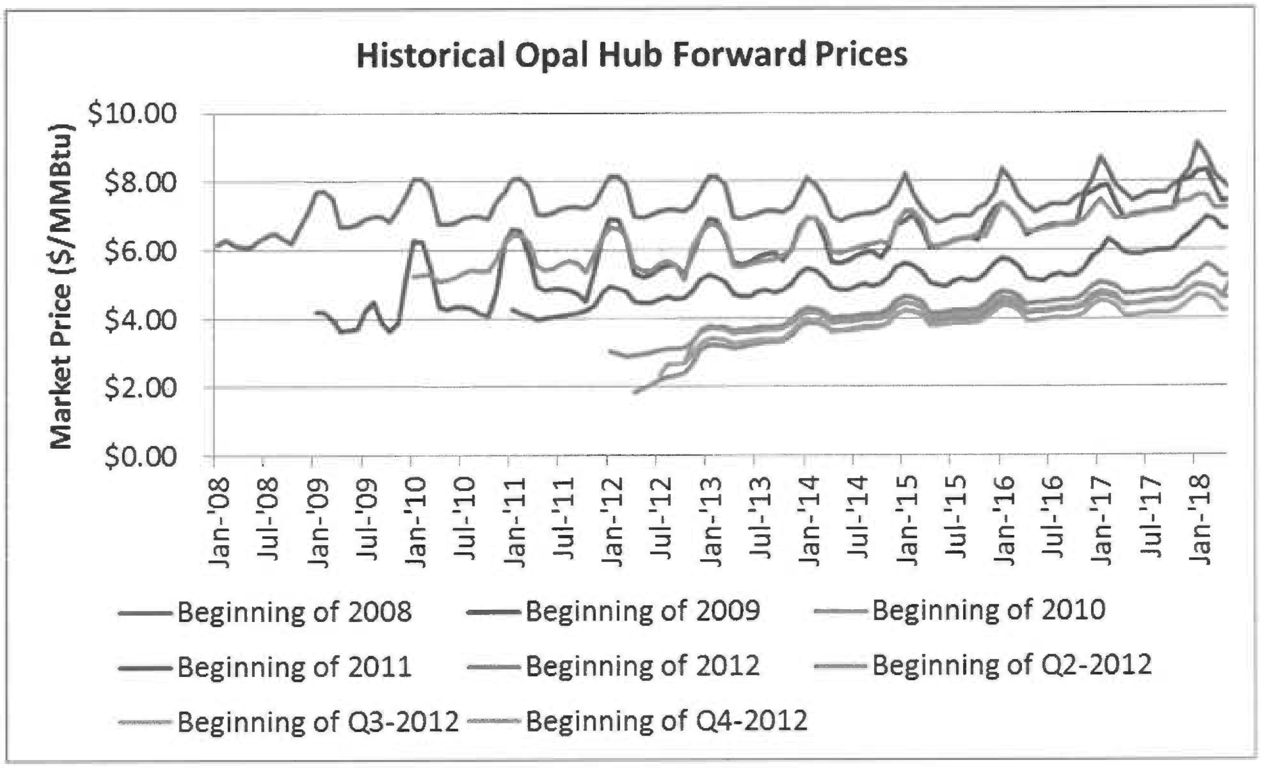
Q. Why is it reasonable for the Company to execute the LTNG contracts?

A. Execution of the LTNG contracts will benefit customers. Forward natural gas prices have fallen dramatically from their 2008 apex, as illustrated in Figure 1 below, and the Company has utilized a robust competitive procurement solicitation process to identify the [redacted] products to hedge a [redacted] percentage (i.e., approximately [redacted] percent in year four) of the Company's future natural gas requirements with long-term gas supply agreements. This approach is consistent with feedback from customers through the Company's hedging collaboratives.

Q. Please elaborate on your position that the LTNG contracts are reasonable in light of current low market prices.

A. Forward prices at Opal—the most liquid natural gas market in the Rockies region and the reference location for the bulk of the bids in the final shortlist of the 2012 Natural Gas RFP—peaked in mid-2008. Subsequently, forward prices fell through the end of 2008, were volatile through 2009 and 2010 with periods of increases and decreases, and fell further in 2011 and 2012 reaching a low point in early 2012 as shown in Figure 1. Prices have recently increased slightly, but remain low compared to prices through mid-2008.

Figure 1. Historical Opal Hub Forward Prices



While there is potential for both upside and downside price risk, a review of market fundamentals discussed in the Company's semi-annual hedging report dated February 15, 2013, shows that there is a greater risk that natural gas prices will rise than decline in the future.

Q. Does this conclude your supplemental opening testimony?

A. Yes.

Docket No. UE 264
Exhibit PAC/401
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Exhibit Accompanying
Supplemental Opening Testimony of Gregory N. Duvall

March 19, 2012 PacifiCorp Hedging Workshop Presentation

April 2013

Presentation to
Oregon Public Utility Commission

Hedging Workshop

Stefan Bird
Senior Vice President

March 19, 2012

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

PacifiCorp Hedge Program Overview

- Purpose is to mitigate customer rate swings due to market price induced net power cost volatility by utilizing industry best practice risk management
- Existing hedge program is well defined and documented, robust over wide range of market conditions, covers natural gas and electricity exposures on a portfolio basis
- Tailored to hedge more (but less than 100%) in front year, less in back years, currently out 48 months
- Incorporates a band with minimum and maximum risk limits to allow discretion based on fundamental market analysis

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

PacifiCorp Hedge Program Overview

- Risk management policy is reviewed and updated at least annually by the PacifiCorp Energy Risk Oversight Committee and approved by the president of PacifiCorp Energy
- Risk metrics include value-at-risk (VaR) and time to expiration value at risk (TEVaR)
- No material changes to hedge program since May 2010
- Will discuss proposed new changes

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

Parameters and Controls – Hedging Horizon

- Hedge horizon is based on market liquidity and perceived customer risk tolerance
- Planning to reduce standard hedge horizon from 48 months to 36 months based on stakeholder feedback and current market risk metrics
- Based on current market fundamentals and stakeholder feedback, will also consider longer term hedges, but hedges greater than 36 months will require incremental documentation and senior executive approval

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

Parameters and Controls – Hedging Pattern

- Hedge within risk management parameters of minimum and maximum exposures
- In response to stakeholder feedback, plan to incorporate new hedge percentage guidelines for natural gas with discretionary band and minimum front year open position to supplement risk metrics
- Within risk management guidelines, allow discretion based on fundamental market view of forward prices,e.g.,
  - Hedge to upper end of band (gas prices are perceived low)
  - Hedge to lower end of band (gas prices are perceived high)

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A DIVISION OF PACIFICORP

Parameters and Controls – Gas & Electricity

- Natural gas hedging driven by natural gas volume percentage hedge guideline within discretionary bandwidth for each forward period
- Electricity hedging driven by total portfolio risk parameters which recognize compounding or offsetting electricity vs. natural gas exposures
- Risk metrics (VaR and TEVaR) consider natural gas and electricity exposures, prices, price volatilities and correlations

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Parameters and Controls – Liquidity

- Liquidity for transactions measured by difference between contract price and mid-market forward price curve
- Periodically review number of counterparties
- Liquidity for price discovery is reviewed quarterly and establishes the market price horizon for the company's forward price curve development

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

Parameters and Controls – Credit

- Transactions are limited to approved counterparties based on creditworthiness
- Counterparty credit limits include term and aggregate exposure
- Daily margining to post or receive collateral as market prices change vs. hedge contract price and exposure exceeds individual counterparty credit thresholds

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A DIVISION OF PACIFICORP

Parameters and Controls – Exceptions

- Exceptions can be requested of any limit
- Exceptions to risk limits require approval by the president of PacifiCorp Energy
- Required documentation for exception and process commensurate with degree of risk, for example,
  - Short term, e.g., a few weeks, exception to TEVaR risk limit caused by a temporary event requires limited documentation and process
  - 10-year custom transaction requires extensive documentation and process

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Parameters and Controls – Authorization

- Three primary transaction governance limits
  - Tenor (delivery start date to delivery end date)
  - Effective Transaction period (transaction date to delivery end date)
  - Notional Value (volume times contract price)
- Graduated authority levels for traders, managers, directors, senior vice president, president
- All non-standard transactions (e.g., structured deals, options) require incremental documentation, process (structuring and pricing, risk, contract administration) and approvals (finance, legal, credit) prior to execution

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

Parameters and Controls – Documentation

- Open natural gas and electricity positions updated instantaneously and provided to traders; based on economic generation, retail load and all executed transactions
- Risk metrics updated and documented along with open positions each business day
- All transaction detail is captured in the company's energy trading system upon execution
- Based on stakeholder feedback, Company has developed a new, confidential semi-annual hedge report for interested parties

PACIFICORP ENERGY
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Semi-annual Report

- Comprehensive report over 50 pages including attachments
- Market fundamentals: prices, price forecasts, trends
- Description of hedges during previous six months
- Description of hedges currently in place relative to forecast exposure and percent hedged guidelines for natural gas
- Risk metrics
- Planned hedge activity for next six months

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A DIVISION OF PACIFICORP

Results to Date – Implementation costs

- Cost of crossing bid / ask spread is small. Low volume activity in less liquid markets.
- Cost of broker fees is small
- Cost of collateral funding for bilateral margining is small, however limited by corporate credit capacity
- Clearing with daily margining is not currently used
- Infrastructure used for hedging is also necessary for physical balancing and financial reporting

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Results to Date – Benefits

- Expected hedge gain/loss is zero over the long term, but with significant year to year volatility in hedge gain/loss results
- Expected and demonstrated benefit is reduced volatility in net power costs

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Summary of Planned Changes

- No change to current VaR and TEVaR risk limits.
- New percent volume hedge guidelines for natural gas
- New minimum front year natural gas percent open position
- Reduce hedging horizon from 48 to 36 months
- Allow for natural gas hedging beyond 36 months and percent guidelines if supported by fundamentals and senior executive approval
- Revisit policy if market conditions change materially
- New confidential semi-annual report for interested parties

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

Suggested Next Steps

- Invite additional feedback based on presentation
- Implement proposed hedge program changes
- Provide revised risk management policy to Commission
- Establish confidentiality provisions for stakeholders interested in semi-annual report
- Coordinate with other jurisdictions as necessary

PACIFICORP ENERGY
A DIVISION OF PACIFICORP

CONFIDENTIAL
Docket No. UE 264
Exhibit PAC/402
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

CONFIDENTIAL Exhibit Accompanying
Supplemental Opening Testimony of Gregory N. Duvall

May 4, 2012 Stakeholder Workshop Presentation

April 2013

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Docket No. UE 264
Exhibit PAC/403
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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August 20, 2012 Stakeholder Workshop Presentation

April 2013

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BEFORE THE PUBLIC UTILITY COMMISSION

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March 21, 2013 Stakeholder Workshop Presentation

April 2013

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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CONFIDENTIAL Exhibit Accompanying
Supplemental Opening Testimony of Gregory N. Duvall

Initial Shortlist

April 2013

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Exhibit PAC/406
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

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Supplemental Opening Testimony of Gregory N. Duvall

Final Shortlist

April 2013

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Docket No. UE 264
Exhibit PAC/407
Witness: Gregory N. Duvall

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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CONFIDENTIAL Exhibit Accompanying
Supplemental Opening Testimony of Gregory N. Duvall

Utah Public Service Commission Docket 12-035-102 Stipulation

April 2013

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Acquire Natural Gas Resources	Docket No. 12-035-102

SETTLEMENT STIPULATION

This Settlement Stipulation ("Stipulation") is entered into in Docket No. 12-035-102 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.

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 and on this Stipulation and issue an appropriate order thereon.

3. The Parties agree that this Stipulation resolves all issues in this Docket.

4. The Parties agree that Rocky Mountain Power (the "Company") should execute one or more contracts with the lowest cost bid(s) as determined by comparison to the Company's forward price curves for a total of XXXX MMBtu per day for XXXXXXXXXXXXXX. The Parties agree that the Commission should issue an order approving the transaction as outlined herein for a price of not to exceed a XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX. The Parties

agree that two business days after receipt of Commission approval, the Company will request updated pricing from the bidders for the following business day. XXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXX.

5. The Parties agree that the Company shall execute a transaction only if: (a) internal credit quality requirements are met; (b) refreshed pricing yields a market ratio below 100 percent calculated from the Company's most current forward price curve at the time bid prices are refreshed, and (c) updated bids are not more than XXXXXXXXXX[1] XXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXX

6. The Parties agree to convene a workshop prior to the end of October 2013 to discuss potential changes to the Company's process in evaluating bids for future gas request for proposals, if any, to secure additional long-term natural gas resources. The issues to be addressed in the workshop include, without limitation:

a. the possibility of establishing a standard approach to bid evaluation based on specific terms or product definition such that the bids within specific product definitions or bids for specific terms can compete against each other;

b. a review of whether a change in the process related to the evaluation of the cost of credit is required and, if so, the type of changes that should be

[1] XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXX XXXXXXXXXX XXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXX XXXXXXXXXXXXXXXXXXXXX

implemented, i.e., changes to the methodology, changes to the timing of the cost imputation, or other similar changes; and

c. a discussion seeking and understanding the data that would be used to evaluate a costless collar beyond the 48 months of market data.

7. 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 resolved by this Stipulation.

8. 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. The Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

9. 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, 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.

10. The Parties request that the Commission hold a hearing on this Stipulation at its earliest convenience but no later than April 1, 2013. The Parties request that all of the prefiled testimony in this docket on issues resolved in this Stipulation be admitted into the record without witnesses being called or sworn at the proceeding. The Company, the Division and the

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.

11. 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.

12. Based on the foregoing, the Parties request that the Commission enter an order approving the terms and conditions setforth in this Stipulation.

DATED this 28th day of March, 2013.

Yvonne R. Hogle

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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.

11. 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.

12. Based on the foregoing, the Parties request that the Commission enter an order approving the terms and conditions setforth in this Stipulation.

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 264 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below:

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DATED: April 30, 2013.

Katherine McDowell

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