

UAMPS questions and comments received July 1, 2016
With PacifiCorp responses

Utah Associated Municipal Power Systems (UAMPS)

List of Questions/Comments Regarding PacifiCorp's June 23, 2016 Workshop on Transmission Schedules 2, 3, 3A, 5 and 6

July 1, 2016

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| <p>General</p> | <p>1. Will the proposed ancillary rates and purchase obligations be stated or formulaic (<i>i.e.</i>, updated annually)?</p> <p>The proposed rates will be stated.</p> |
| | <p>2. What is the basis for PacifiCorp's proposed use of the gross plant levelized methodology for computing the carrying charges of the units that provide the ancillary service, given PacifiCorp's historical use of return on net plant for recovery of production related costs? This switch in methodology is contrary to established FERC precedent, regardless of whether the prior use of return net plant was for other classes of service. See FERC Initial Decision in ER01-2214 (Entergy Services) and Order on Initial Decision. See also, e.g., American Elec. Power Serv. Corp., Op. No. 440, 88 FERC ¶ 61,141, (1999) ("Opinion No. 440"), American Elec. Power Serv. Corp., 103 FERC ¶ 61,009 at P 33 (2003) (denying the utility's request to switch from non-levelized to levelized rates on the basis that it would result in an over-recovery of costs); Maine Pub. Serv. Co., 84 FERC ¶ 61,412 at 62,564-65 (1998); Kentucky Util. Co., 85 FERC ¶ 61,274 at 62,103-05 (1998).</p> <p>PacifiCorp believes its approach including the gross levelized plant methodology is consistent with Commission-accepted mechanisms for developing ancillary services rates. PacifiCorp does not believe that the current proposal constitutes a change in methodology given the origin of the current rates. See First Energy Solutions Corp., 107 FERC ¶ 61,139 at 20 (2004)</p> |
| | <p>3. What is the assumed ROE for purposes of computing the annual revenue requirements for the ancillary services?</p> <p>PacifiCorp will use its current stated return on equity of 9.8%.</p> |
| <p>Schedule 2</p> | <p>PacifiCorp initially proposed to file for new Schedule 2 rates as a preemptive action in response to certain FERC proceedings dealing with reactive service. Since the June 23, 2016, customer workshop, PacifiCorp has investigated the state of current reactive service filings and the technical requirements for an update.</p> <p>Current proceedings seem largely confined to participants in RTOs or ISOs and involve a limited number of units, but FERC appears to be requiring significantly more and detailed technical support for filings. PacifiCorp now believes that a change to Schedule 2 rates in the current environment would unduly delay the ancillary</p> |

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| | <p>services filing and risk timely resolution of other elements.</p> <p>Please refer to the presentation that will be available on OASIS in advance of the July 19, 2016, customer workshop for a description of how PacifiCorp will apply Schedule 2 credits to account for changes to the units providing reactive service.</p> <p>4. Will the reactive rates be developed consistent with the guidelines set forth in FERC's recent order in Docket No. ER16-444-001 (Wabash Valley)? Will PacifiCorp perform the unit capability tests discussed in that order?</p> <p>Please refer to general Schedule 2 response above.</p> |
| | <p>5. How will the rates be revised in the future for units that retire or are no longer capable of providing the ancillary service (especially in the case of reactive supply)? Will reactive revenue requirements be computed separately for each unit that is capable of providing that service so that, if a unit is retired or is no longer able to provide the service, it can be removed from the costs of providing that service?</p> <p>Please refer to general Schedule 2 response above.</p> |
| | <p>6. Currently, per Business Practice #63, a Transmission Customers can self-provide all or a portion of its Reactive Supply and Voltage Control Service from its qualifying generators. With the PacifiCorp Proposal, are there any changes contemplated to this Business Practice? If so, please provide a detailed explanation of the proposed changes?</p> <p>Please refer to general Schedule 2 response above.</p> |
| <p>Schedules 3,3A,5 and 6</p> | <p>7. Provide the underlying data and calculations that support the service obligations summarized in the June 23rd presentation.</p> <p>The data and calculations informing are voluminous and not yet ready for release. PacifiCorp will provide workpapers as part of its complete filing but will discuss options with customers to share data in advance of filing.</p> <p>More detailed description and detail around the data and calculations are provided in the presentation that will be available on OASIS in advance of the July 19, 2016 customer workshop.</p> |
| | <p>8. In addition to the billing determinants information shown on slides 27 and 28 of the June 23rd presentation, please provide examples of how the service obligations (as percentages) and unit</p> |

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| | <p>charges will be computed.</p> <p>Please refer to the examples provided in the presentation that will be available on OASIS in advance of the July 19, 2016 customer workshop.</p> |
| | <p>9. The table “2015 Reserves Available” on slide 25 of the presentation purports to list the generators and contracts that PacifiCorp uses to provide its reserves obligations. Is the list (1) the total generators and contracts generally available, or (2) the total generators and contracts always used? If #2, is there a priority list and historical period (e.g. 3 years) of use of each generator or contract for each service schedule?</p> <p>The list provides the 2015 actual availability of these ancillary services from all generators and contracts, adjusted to remove retired generators and expired contracts. The allocation to each service schedule is as follows:</p> <ul style="list-style-type: none"> • Spinning – 2015 actual hourly requirements are assumed to have been met by pro-rata allocation among all spin-capable reserve capacity available in each hour. Each resource with spin capability in an hour is considered to be contributing the same percentage of its spin capability toward the spin requirement. • Non-Spinning – 2015 actual hourly requirements are allocated first to non-spin only resources, and then the remainder is allocated pro-rata among all non-spin-capable reserve capacity available in each hour. • Regulation – Unused spin and supplemental capability counts toward regulation (unless contractually precluded). Additional capacity available between a unit’s hourly base schedule and upper regulation limit counts toward available regulation, capped at the unit’s 30-minute ramping capability. The total is considered available Regulation. |
| | <p>10. For Schedules 5 and 6, BP #64 -- “Calculating Operating Reserve Charges (Schedule 5 and 6) for Self-Supply Transmission Customers” -- specifies the formulas to be used to calculate a Transmission Customer’s Operation Reserve obligation for Loads and Generation. In connection with the discussions of slide 24 of the June 23rd presentation, it appeared that PacifiCorp was proposing to change Business Practice #64, in particular with</p> |

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| | <p>respect to imports of firm power over firm transmission such that the firm import is currently treated as supplying reserves for the importing load. If PacifiCorp intends to change its current practice, please provide a detailed explanation of the proposed changes to Business Practice #64.</p> <p>PacifiCorp will evaluate any changes that may be necessary to align Business Practice #64 to the proposed Schedule 5 and 6 rates that are based on the Regional Reliability Standard BAL-002-WECC-2. PacifiCorp expects to continue a crediting mechanism for customers that self-supply operating reserves. Any necessary changes will be made in conjunction with the effective date of new rates.</p> |
| | <p>11. Does PacifiCorp intend that total operating reserves available on its system be split among Schedules 3/3A, 5, and 6 regardless of whether those available operating reserves exceed required operating reserves, particularly for regulation service? If yes, why should excess operating reserves (<i>i.e.</i>, total available operating reserves--which may, for example, be a function of economic dispatch, less required operating reserves) be included in the service requirements and costs used to derive the ancillary services obligations and rates?</p> <p>The quantity for spinning and supplemental service is determined by operational compliance with NERC regional reliability standard BAL-002-WECC-2. The quantity for regulation is determined by an Integration Study that considers NERC Control Performance Standard Criteria in BAL-001-2. PacifiCorp does not believe that either of these approaches supports the premise of the question.</p> |

BPA questions and comments received July 13, 2016
With PacifiCorp responses

**Bonneville Power Administration's Questions Regarding PacifiCorp's June 23, 2016
Workshop on Transmission Schedules 2, 3, 3A, 5 and 6**

July 13, 2016

General

1. Will PacifiCorp provide a detailed analysis of the derivation of each rate (including the costs associated with each resource)?

PacifiCorp will provide workpapers as part of its complete filing. For discussion of the rate derivation, please also refer to the presentation that will be available on OASIS in advance of the July 19, 2016, customer workshop.

Schedule 2

PacifiCorp initially proposed to file for new Schedule 2 rates as a preemptive action in response to certain FERC proceedings dealing with reactive service. Since the June 23, 2016, customer workshop, PacifiCorp has investigated the state of current reactive service filings and the technical requirements for an update.

Current proceedings seem largely confined to participants in RTOs or ISOs and involve a limited number of units, but FERC appears to be requiring significantly more and detailed technical support for filings. PacifiCorp now believes that a change to Schedule 2 rates in the current environment would unduly delay the ancillary services filing and risk timely resolution of other elements.

Please refer to the presentation for the July 19, 2016, customer workshop for a description of how PacifiCorp will apply Schedule 2 credits to account for changes to the units providing reactive service.

2. Will PacifiCorp remove or revenue credit resources dedicated to the EIM market.
Please refer to general Schedule 2 response above.
3. The Douglas County PUD's Well's sale terminates in 2018. If it is not renewed will the resource be removed from the stack?

Please refer to general Schedule 2 response above.

Schedules 3, 3A, 5 and 6

4. How was the level of reserves calculated/determined for each of the schedules?

For contingency reserves, which include spinning reserves (Schedule 5) and supplemental reserves (Schedule 6), the reserve requirements are determined using

operational data reflecting PacifiCorp's compliance with NERC regional reliability standard BAL-002-WECC-2.

For regulating reserves (Schedules 3 and 3A), the reserve requirement is determined through an Integration Study that will accompany the filing. This Integration Study is based on PacifiCorp operational data reflecting PacifiCorp's compliance with NERC Control Performance Standard Criteria in BAL-001-2.

Please refer to the presentation that will be available on OASIS in advance of the July 19, 2016, customer workshop.