

State of Utah

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PRESS RELEASE

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Public Service Commission Approves Stipulation for Utah Power Rate Increase

The Utah Public Service Commission today issued its order approving a Stipulation in the Utah Power and Light (Company) rate case. Based on the stipulation of all parties, including consumer advocates, the Commission's order allows the Company to increase its revenues annually by \$65 million (the Company originally requested \$125 million), primarily for infrastructure investment. Today's order also formally approves a second stipulation that determines how the increase will be shared among all classes and types of customers. The new rates will become effective April 1, 2004.

Residential, large commercial and industrial rates are expected to increase on average 7.7%. Average irrigation rates and average small commercial rates are anticipated to increase 7.4% and 3.7% respectively. The impact of all rate changes on the average residential customer using about 700 kwh per month will be approximately 6% or less than \$3 per month.

To help mitigate the need for construction of new facilities, the rate design approved by the Commission today includes incentives for energy conservation. Utah Power continues to forecast a need to build new electric generation plants and associated transmission and distribution facilities to accommodate the expanding

Utah population growth. Utah customers are constructing larger homes and are replacing energy efficient evaporative coolers with central air-conditioning units that use more electricity.

The approval of the Stipulation allows rates to be higher in the high-demand summer months, especially for customers using larger amounts of electricity. For example, residential customers using large or multiple air-conditioning units will see an increase higher than the 7.7% average increase. Customers using less costly cooling technologies will see an increase of approximately 6%. Commercial rates will also be higher in summer months. This rate design is intended to encourage customers to take energy efficient measures to minimize the summer cost increases. The effects of this rate design will be studied to determine its effectiveness.

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