

Mark C. Moench, Utah Bar No. 02284
Yvonne R. Hogle, Utah Bar No. 07550
Daniel E. Solander, Utah Bar No. 11467
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4459
Facsimile No. (801) 220-4058
mark.moench@pacificorp.com
yvonne.hogle@pacificorp.com
daniel.solander@pacificorp.com

Katherine A. McDowell
Lisa F. Rackner
Admitted Pro Hac Vice
McDowell & Rackner, P.C.
520 SW 6th Avenue, Suite 830
Portland, OR 97204
Telephone No. (503) 595-3924
Facsimile No. (503) 595-3928
Katherine@mcd-law.com
lisa@mcd-law.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority To Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations.))
)	DOCKET NO. 08-035-38
)	
)	APPLICATION
)	

APPLICATION FOR GENERAL RATE INCREASE

Rocky Mountain Power (“Rocky Mountain Power” or “Company”) hereby submits its application (“Application”) to the Public Service Commission of Utah

("Commission") requesting approval of an increase in its retail electric utility service rates in Utah in the amount of \$160.6 million above the currently effective rates (without reference to revenue increases requested in the Company's 2007 rate case (Docket No. 07-035-93)) for a total revenue requirement in the approximate amount of \$1.592 billion, and approval of its proposed electric service schedules and electric service regulations to become effective March 14, 2009, in accordance with the 240-day period provided under Utah Code Ann. § 54-7-12(3). In support of the Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp. PacifiCorp is an Oregon corporation that provides electric service to retail customers through its Rocky Mountain Power division in the states of Utah, Wyoming, and Idaho, and through its Pacific Power division in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. The Company serves approximately 770,000 customers and has approximately 2,400 employees in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111.

3. Communications regarding this filing should be addressed to:

David L. Taylor
Utah Regulatory Affairs Manager
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
E-mail: david.taylor@pacificorp.com

Yvonne R. Hogle, Senior Counsel

Daniel E. Solander, Senior Counsel
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
E-mail: yvonne.hogle@pacificorp.com
daniel.solander@pacificorp.com

In addition, Rocky Mountain Power requests that all data requests regarding the Application be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com

By fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Dave Taylor, Utah Regulatory Affairs Manager at (801) 220-2923.

Request for Authority to Increase Rates

4. The Application includes only those elements of the revenue increase request necessary to maintain and provide safe and reliable service to its customers at a level they both expect and deserve.

5. Pursuant to applicable Utah law and Commission rules, Rocky Mountain Power hereby requests authority to increase its retail rates in Utah by an amount of \$160.6 million above the currently effective rates (without reference to revenue increases requested in the Company's 2007 rate case (Docket No. 07-035-93)) for a total revenue requirement in the approximate amount of \$1.592 billion. Notably, the total revenue requirement in the approximate amount of \$1.592 billion will not change after the Commission issues its order in the revenue requirement phase of Docket No. 07-035-93.

Rocky Mountain Power's request is based upon a forecast test year ending June 30, 2009 using an end of period rate base and a return on equity ("ROE") of 10.75 percent.

6. In recent years, Rocky Mountain Power has consistently under-earned the authorized ROE established by the Commission. Rocky Mountain Power's normalized ROE under current rates will be 6.1 percent during the test year, which is well below the Commission authorized return of 10.25 percent. The revenue increase for which approval is requested is based on a ROE of 10.75 percent, which reflects recent market circumstances, interest rate increases, and reasonable investor expectations.

Application of Forecast Test Period

7. A significant contributor to the Company's under-earning is the effect of regulatory lag, which arises from the combined effect of the use of a test year that is not fully reflective of increasing costs combined with the eight month administrative process associated with prosecuting a general rate case in the state of Utah. These factors, coupled with steadily increasing wholesale power costs and the need for increased levels of new capital investment driven by system growth, result in an anticipated continuation of under-earning that are impossible to overcome by Rocky Mountain Power's efficiencies and cost cutting measures.

8. The Company's proposed forecast test year in the Application extends no more than 12 months from the filing date of the Company's proposed rate increase, less than the 20 months allowed under Utah Code Ann, § 54-4-4. The Company has applied for a forecast test period beginning July 1, 2008 and ending June 30, 2009. The Company used an historic base period ending December 31, 2007 for purposes of preparing its forecasted test period data. The Company requests that the Commission

accept the use of this forecast test period so that the rates approved by the Commission better reflect the costs expected to be incurred by the Company during the rate-effective period and to fulfill the statutory intent, which permits the use of a forecast test period. In addition, to address the impact of regulatory lag, the Company has included an adjustment to reflect base balances at end of the test period levels.

Primary Cost Drivers

9. The Company's requested increase in rates is driven by Rocky Mountain Power's need for a revenue increase as a result of increased costs in three primary areas:

- New generation, transmission and distribution plant investment
- Net power costs associated with fuel, wholesale market transactions and wheeling
- Load growth

10. Rocky Mountain Power's need for capital investment is the result of experienced and anticipated customer growth and the demand for new services. Customer growth and increasing loads, coupled with environmental requirements and improved reliability expectations are drivers for new utility plant investments. Furthermore, investments in new facilities have associated fuel costs, financing costs, and operation and maintenance expenses related to them.

11. The Company projects that it will have made over three billion dollars of new capital investments system-wide between December 31, 2007, the historical base year, and June 30, 2009, the end of the test year in the Application.

12. In addition, residential, commercial and industrial load growth in Utah, places it as one of the highest forecasted load growth states in the Company's six-state service territory. The load growth in Utah also results in a higher percentage of common

costs being allocated to the state through the interjurisdictional cost allocations under the Revised Protocol used by the Company in preparing this filing.

13. Rocky Mountain Power anticipates that it will continue to experience increasing costs that are driven by the factors mentioned above, and that the use of a forecast test period is necessary to reduce the effect of regulatory lag and to permit the Company a realistic opportunity to earn a reasonable return on its Utah investment. Without a general rate increase now, and with the additional capital investments made by the Company, coupled with rising costs for fuel and other increases in operation and maintenance costs associated with the capital investments, the Company will not have the opportunity to earn its authorized rate of return.

14. Net power costs consist of fuel, net wholesale transactions (purchases from and sales to other utilities and power marketers) and wheeling costs, which in total represent approximately 30 percent of the Utah revenue requirement in the Application. The combination of higher fuel prices and wholesale market volatility has produced a much riskier environment for all participants in the wholesale energy markets, including regulated utilities. In comparison to the net power costs supported by rebuttal testimony in Rocky Mountain Power's 2007 Utah general rate case, power costs have increased by approximately \$85 million. Net power costs continue to trend upward and remain volatile and are one of the primary cost drivers in this general rate case.

15. Historically, increased operation, maintenance, administrative, and general costs ("OMAG") have contributed to the Company's need for a rate increase. However, that is not the case in this Application. Through the effective management of operating costs, including increased efficiencies for transmission and distribution investments,

staffing reductions, and by striking a balance between operational expenses and preventative maintenance on the Company's transmission and distribution facilities, OMAG costs on a per unit basis have remained level or slightly declined over the last several years.

Rate Spread

16. The Company is proposing to allocate the revenue increase to customer classes based upon the cost of service study included in the Application. The proposed rate spread is designed to reflect cost of service results while balancing the impact of the rate change across customer classes. Such rate spread methodology is consistent with the Company's proposal in the last general rate case in Docket No. 07-035-93.

17. The table below summarizes the proposed rate schedule changes for each listed customer class.

Customer Class	Proposed Percentage Change from Rates In Effect on date of Application¹
Residential	11.47%
General Service	
Schedule 6	11.47%
Schedule 8	11.47%
Schedule 9	15.00%
Schedule 23	11.47%
Irrigation	23.86%

¹ The percentages set forth herein represent the percentage increase in rates by rate category based on the rates in effect as of the date the Application is filed and constitutes the rate schedule called for in Utah Code Ann. § 54-7-12(2)(a). Rocky Mountain Power recognizes that a revenue requirement order has not yet been issued in the 2007 rate case (Docket No. 07-035-93).

Rate Design

18. In addition to the schedule changes in the rate categories set forth above, Rocky Mountain Power is also proposing the same rate design changes for the residential class as those proposed in its 2007 rate case (Docket No. 07-035-93), as follows: (1) increase the customer charge from \$2.00 to \$4.00 and discontinuance of the monthly minimum bill for single phase service; (2) implement a usage-based residential customer load charge that will be triggered when a residential customer's monthly usage in the May through September billing months exceeds 1,000 kWh more than once; (3) replace the existing three-block summer inverted residential rate design with a two-block inverted rate design; and (4) increase the differential between summer and winter energy charges in order to reflect the higher costs associated with higher summer customer usage.

19. The proposed changes to the residential rate design will result in stronger and more persistent price signals to our residential customer class that will help control the anticipated load growth and the summer peak. In addition, the changes will simplify customers' bills and enable customers to better understand their bills and make better electricity usage decisions.

Witnesses – Prefiled Written Testimony

20. The Application and the requests made herein are supported by the prefiled written direct testimony and exhibits of the following witnesses, all of which are submitted as attachments to the Application:

- **A. Richard Walje**, President, Rocky Mountain Power, will provide an overview of the Company's 2008 general rate case filing and policy considerations

related to the Application. He will also explain the Company's proposed increase in electric utility rates in the amount of \$160.6 million above the currently effective rates (without reference to revenue increases requested by the Company in the 2007 general rate case) for a revenue requirement in the approximate amount of \$1.592 billion, including the Company's general financial condition.

- **A. Robert Lasich**, President, PacifiCorp Energy, will provide investment information on and prudence justification for the Company's major new generation resources acquisitions and environmental facility upgrades, including the increased generation-related overhaul and maintenance expenses for the test period.

- **Bruce N. Williams**, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure.

- **Dr. Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's return on equity. He will also describe the unique operational risks that Rocky Mountain Power faces and why the Commission should authorize a return on equity that will account for the Company's higher risks and operating challenges.

- **Dr. Peter C. Eelkema**, Lead/Senior Consultant, Load and Revenue Forecasting, will testify on the changing loads and revenues in Utah. He will explain how Utah's load growth relates to previous years and to the other states in the Company's system, and how the changing peak demand in Utah is contributing to a relative shift in the interjurisdictional allocation of common costs. He will also provide a view of future system growth in Utah relative to the other states.

- **Gregory N. Duvall**, Director, Long Range Planning and Net Power Costs, will describe the Company's net power costs. Mr. Duvall will also explain the Company's production cost model and normalization of input data.

- **Douglas N. Bennion**, Vice President, Engineering Services and Capital Investment, will explain the Company's capital investments in transmission and distribution facilities to serve growing customer loads and deliver reliable power in Utah.

- **Erich D. Wilson**, Director, Human Resources, will describe the Company's compensation and benefit plans and, in particular, will explain the Company's incentive and base compensation, retirement and healthcare costs.

- **Steven R. McDougal**, Director, Revenue Requirement, will explain why the forecast test year beginning July 1, 2008 and ending June 30, 2009 best reflects the conditions that the Company expects to experience in the rate-effective period. In addition, Mr. McDougal will present the Company's overall revenue requirement based on the forecasted results of operations for the test year. He will describe the sources of the forecast data and present certain normalizing adjustments related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

- **C. Craig Paice**, Regulatory Consultant, Pricing and Cost of Service, will present the Company's class cost of service study.

- **William R. Griffith**, Director, Pricing and Cost of Service, will present the Company's rate spread and rate design proposals.

Conclusion

21. The increase in electric utility rates in the amount of \$160.6 million above the currently effective rates (without reference to revenue increases requested in the Company's 2007 general rate case (Docket No. 07-035-93)) for a revenue requirement in the total approximate amount of \$1.592 billion represents the best outcome for the Company and its customers and is in the public interest. Rocky Mountain Power further requests that the Commission authorize the proposed forecast test year ending June 30, 2009, using an end of period rate base.

WHEREFORE, by this Application, Rocky Mountain Power respectfully requests that the Commission:

1. Authorize an increase in the Company's retail electric utility service rate in an amount of \$160.6 million above the currently effective rates (without reference to revenue increases requested in the Company's 2007 rate case (Docket No. 07-035-93)) for a revenue requirement in the approximate amount of \$1.592 billion based upon a forecast test year ending June 30, 2009, using an end of period rate base.
2. Approve the Company's proposed electric service schedules and electric service regulations.

(the remainder of this page is intentionally left blank)

DATED this 17th day of July 2008.

Respectfully submitted,

ROCKY MOUNTAIN POWER

Mark C. Moench, Utah Bar No. 02284
Yvonne R. Hogle, Utah Bar No. 07550
Daniel E. Solander, Utah Bar No. 11467
201 South Main Street, Suite 2400
Salt Lake City, Utah 84111
Telephone No. (801) 220-4459
Facsimile No. (801) 220-40589
mark.moench@pacificorp.com
yvonne.hogle@pacificorp.com
daniel.solander@pacificorp.com

Katherine A. McDowell
Lisa F. Rackner
Admitted Pro Hac Vice
McDowell & Rackner, P.C.
520 SW 6th Avenue, Suite 830
Portland, OR 97204
Telephone No. (503) 595-3924
Facsimile No. (503) 595-3928
Katherine@mcd-law.com
lisa@mcd-law.com

Attorneys for Rocky Mountain Power