

Mountain Power filed supplemental testimony to reflect the Commission's revenue requirement order in Docket No. 07-035-93, adjust net power costs, introduce an amended cost of service study, and update the proposed rate spread.

4. On August 1, 2008, the Commission issued an order establishing the procedural schedule for this proceeding. On August 26, 2008, September 29, 2008, and September 30, 2008, the Commission issued orders amending that schedule. On October 14, 2008, the Commission issued an additional scheduling order for the Revenue Requirement and Cost of Service/Rate Design portion of this proceeding. On October 30, 2008 and November 6, 2008, the Commission issued orders modifying the Revenue Requirement and Cost of Service/Rate Design procedural schedule. On January 27, 2009, the Commission issued a scheduling order amending the schedule for the Rate Design/Cost of Service phase of this proceeding.

5. On October 28, 2008, the Commission held a hearing on Rocky Mountain Power's Motion to Determine Test Year wherein Rocky Mountain Power sought approval to use a test period ending June 2009. On October 30, 2009, the Commission issued an order approving a test period ending December 2009 using average rate base. Rocky Mountain Power subsequently filed supplemental direct testimony and exhibits with the Commission on December 8, 2008, which included a revised revenue increase request of \$116.1 million, a cost of capital request of 8.69% and return on equity of 11.0% with a 51.5% common equity component.

6. On January 8, 2009, the Division of Public Utilities filed testimony with the Commission which included a recommended cost of capital of 8.45% and return on equity of 10.75% applied to the common equity component of 50.82%, together with 0.37 % preferred equity component for Rocky Mountain Power's capital structure. On January 8, 2009, the

Committee of Consumer Services filed testimony with the Commission which included a recommended cost of capital of 8.10% and return on common equity of 10.0%, and did not oppose Rocky Mountain Power's proposed capital structure. No testimony on cost of capital was filed by the Utah Industrial Energy Consumers, the UAE Intervention Group, or any other party to this proceeding.

7. On February 4 and 9, 2009, the Parties held settlement conferences to discuss cost of capital issues in the 2008 General Rate Case.

8. As a result of the settlement negotiations, the Parties have reached a compromise on cost of capital, including return on equity, the cost of preferred stock, the cost of debt and the capital structure as described in the terms of the Stipulation below and as agreed to in the other matters specified herein.

III. TERMS OF STIPULATION

9. Cost of Capital. The Parties agree that Rocky Mountain Power's weighted cost of capital should be set at 8.358%. This cost of capital produces a return on equity of 10.608% with a 51% equity component for its capital structure. The Parties agree that this return shall be applied to the calculations of revenue requirement in this proceeding in the final determination of the revenue increase allowed by the Commission. Specifically, the cost of capital is agreed to as follows:

PacifiCorp Weighted Average Cost of Capital

	<u>Rate</u>	<u>Capital Structure</u>	<u>Weighted Rate</u>
Common Stock	10.608%	51.000%	5.410%
Preferred Stock	5.410%	0.300%	0.016%
Long-term Debt	6.020%	48.700%	2.932%
WACC		<u>100.00%</u>	<u>8.358%</u>

IV. GENERAL TERMS AND CONDITIONS

10. All negotiations related to this Stipulation are privileged and confidential and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting this Stipulation shall be deemed to constitute an admission or acknowledgment by any Party of any liability, the validity or invalidity of any claim or defense, the validity or invalidity of any principle or practice, or the basis of an estoppel or waiver by any Party other than with respect to issues resolved by this Stipulation; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except a proceeding to enforce the approval or terms of this Stipulation.

11. The Company, the Division and the Committee each agree to make one or more witnesses available to explain and support this Stipulation to the Commission. Such witnesses will be available for examination. So that the record in this docket is complete, the Parties may move for admission of evidence, comments, position statements or exhibits that have been filed on the issues resolved by this Stipulation; however, notwithstanding the admission of such documents, the Parties shall support the Commission's approval of the Stipulation. As applied to the Division and the Committee, the explanation and support shall be consistent with their statutory authority and responsibility.

12. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation. As applied to the Division and Committee, the phrase “use its best efforts” means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.

13. Except with regard to the obligations of the Parties under the two immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission’s approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission’s approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and no Party shall be bound or prejudiced by the terms and conditions of the Stipulation.

14. The Parties may execute this Stipulation in counterparts each of which is deemed an original and all of which only constitute one original.

IN WITNESS WHEREOF, the Parties hereto have caused this Stipulation to be executed by their duly authorized representatives as of the date first herein written.

ROCKY MOUNTAIN POWER:

By: _____
Mark C. Moench
Senior Vice President & General Counsel

Date: _____

DIVISION OF PUBLIC UTILITIES:

By: _____
Michael Ginsberg
Patricia Schmid
Assistant Attorney General

Date: _____

COMMITTEE OF CONSUMER SERVICES:

By : _____
Paul Proctor
Assistant Attorney General

Date : _____