

**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 STIPULATION REGARDING REVENUE REQUIREMENT
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1. This Stipulation (“Stipulation”) in the Revenue Requirement Phase of Docket 08-035-38 is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties”).

I. INTRODUCTION

2. The terms and conditions of this Stipulation are set forth herein. The Parties represent that this Stipulation is in the public interest and recommend that the Public Service Commission of Utah (the “Commission”) approve the Stipulation and all of its terms and conditions. The Parties agree that the Commission may make findings of fact and reach conclusions of law based on this Stipulation and issue an appropriate order thereon.

II. BACKGROUND

3. On July 17, 2008, Rocky Mountain Power (“Rocky Mountain Power” or “Company”) filed an application, together with revenue requirement, cost of service, rate spread and rate design testimony, requesting approval of an increase in its retail electric utility

service rates in Utah in the amount of \$160.6 million above the then-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. On September 10, 2008, Rocky 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 case. On August 26, 2008, September 29, 2008, and September 30, 2008, the Commission issued orders amending the 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 case. 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 case.

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

7. As a result of the settlement negotiations, certain Parties reached a compromise on cost of capital at issue in this case. The settlement resulted in a return on equity of 10.61 percent and a capital structure with a 51.0 percent common equity component. The Commission held hearings on March 12, 2009 and approved the cost of capital stipulation from the bench.

8. On March 17 and 18, 2009, the Parties held settlement conferences to discuss revenue requirement issues in the 2008 General Rate Case. On March 18, 2009, notice was provided to all intervenors advising all parties who filed revenue requirement testimony and others that the parties had reached an agreement in principle, and that a draft stipulation would be circulated. On March 19, 2009 a copy of the draft stipulation was circulated to all intervenors.

9. As a result of the settlement negotiations, the Parties have agreed to the revenue requirement in this case and other matters specified herein, which settlement is predicated on the assumption that the Commission timely issues a written order approving the ROE stipulation.

III. TERMS OF STIPULATION

10. Revenue Requirement. The Parties agree that, under this Stipulation and upon Commission approval, the Company's Utah revenue requirement and Utah customer rates will increase by \$45.0 million on May 8, 2009. The adjustments reducing the Company's

rebuttal revenue requirement included in RMP__ (SRM-1R) to the agreed upon increase are shown in the table below:

	Revenue Requirement Increase (\$ millions)	Account /Allocation
Company Rebuttal Case	\$ 57.4	
Net Power Costs	(7.4)	555/SG
O&M	(2.5)	920/SO
Rate Base	(1.1)	303/SO
Property Taxes	(1.4)	408/GPS
Settlement Revenue Requirement	<u>\$ 45.0</u>	

While the Parties agreed on the general categories of costs to be adjusted in arriving at the agreed revenue requirement increase, there is no overall agreement as to the specific revenue requirement adjustments which led to the stipulated revenue requirement increases because different parties relied upon different adjustments in supporting the agreed upon \$45.0 million increase. The adjustments reflected in the table above and the associated account and allocation information therein will be the basis for the Company's revised cost of service study filed within 30 days of the hearing date of this Stipulation, unless the Commission does not approve the Stipulation.

11. Rate Implementation. The Parties agree that the \$45.0 million increase effective May 8, 2009 will be implemented through a new Schedule 98, Tariff Rider Rate, and Schedule 97 will be terminated and merged into Schedule 98. The Parties agree that the new Schedule 98 rider will equal 6.40 percent and will be applied to all tariff customers' bills effective with service on and after May 8, 2009. The 6.40 percent rate is the result of a 3.34 percent (\$45.0 million) increase applied to current rates including the current 2.96 percent

Schedule 97 rider. Schedule 98 will apply until the Commission issues a final order in the Cost of Service/Rate Design phase of this case. In the event that Cost of Service/Rate Design phase of this case is completed prior to May 8, 2009, the Parties agree that the Commission's findings in that phase of the case will supersede this rate implementation plan.

12. New Dockets and Task Force. The Parties agree to establish new dockets, work groups and task forces as set forth below:

a. The Parties agree that the issue of moving to full normalization on basis differences for deferred taxes will be deferred to and addressed in Docket No. 08-999-02.

b. Rocky Mountain Power agrees to, within 10 days from the date of the hearing of this Stipulation, request that the Commission open a docket on natural gas price risk management, and issue a protective order therein. In addition, Rocky Mountain Power agrees to request that the Commission promptly schedule technical conferences to allow interested parties to pursue discovery and review the Company's policies and procedures and other aspects of natural gas price risk management, prior to the filing of the Company's next general rate case.

c. Rocky Mountain Power agrees to invite the Parties to participate in a work group and promptly schedule work group meetings to discuss modeling issues related to planned outages within 10 days of the hearing of this Stipulation and prior to the filing of the next general rate case.

13. Rolling Hills. For purposes of modeling net power costs in general rate cases, the Parties agree that the annual average capacity factor for Rolling Hills will be 33.8 percent for any test period or portion of a test period utilized in a general rate case ending on or before

December 31, 2011. Rocky Mountain Power agrees to provide wind met data from on-site monitoring for this period. Rocky Mountain Power acknowledges that inclusion of Rolling Hills in rate base in this case does not preclude any prudency challenge in any future case; provided however, that the Parties agree not to challenge the prudency of Rolling Hills based directly or indirectly on capacity factor issues except in a proceeding involving a test period that ends after December 31, 2011. In the event any party proposes a higher capacity factor and the Commission accepts the higher capacity factor in a general rate case based upon collected wind data provided by the Company, then the Company is relieved of the obligation to use 33.8 percent as a fixed capacity factor as set forth above.

If an Energy Cost Adjustment Mechanism (ECAM), is established in Utah, in Docket No. 09-035-15 or otherwise, the Parties agree that 33.8 percent will be used as a minimum capacity factor in the calculations of actual net power costs incurred in the ECAM methodology for Rolling Hills through December 31, 2011.

14. Goodnoe Hills ETO Funding. The Parties agree that the overall revenue requirement in this Stipulation does not include any consideration of funds received by Rocky Mountain Power from the ETO pursuant to the project funding agreement for the Company's Goodnoe Hills wind plant. As a result, if the Stipulation is approved, Utah will retain its full share of renewable energy credits associated with Goodnoe Hills.

15. Next Case Filing Requirements. In relation to the filing of Rocky Mountain Power's next general rate case, the Company agrees to:

- a. Provide responses to Master Data Request A concurrently with the filing

of the general rate case and Master Data Request B within 30 days of the date of filing of the general rate case.

b. File a notice of intent to file the next rate case at least 30 days prior to the expected date of such filing.

c. In conjunction with the notice of intent filing, file with the Commission a motion for issuance of a protective order and draft protective in order to give the Commission the opportunity to issue the protective order prior to the date Rocky Mountain Power files its next rate case.

d. Assuming the Commission has issued a protective order prior to the filing of the next general rate case, Rocky Mountain Power agrees to provide access to the GRID model, input database, net power costs report and work papers used in creation of GRID inputs and results developed for the case, to intervenors who have signed said protective order at the time of filing of the rate case, consistent with and subject to the Master Data Requests content and timing identified in Paragraph 15.a. above, with the exception of the Master Data Requests attached hereto as Attachment 1. The Company agrees to provide responses to such Master Data Requests as noted in Attachment 1.

16. Rulemaking Under Senate Bill 75. The Parties agree that the discussions and comments submitted in connection with rulemaking that will be undertaken pursuant to Senate Bill 75 will also address appropriate rules governing the introduction of updates to filed positions during a general rate case proceeding including, without limitation, symmetry, timing and fairness to parties. The Parties will jointly ask the Commission to issue rules on such issues.

17. Goose Creek Regulatory Liability. The Parties agree that, upon Commission approval of this Stipulation, the Company may write-off Utah's portion of the Goose Creek regulatory liability referred to as adjustment 8.2 in Mr. Steven R. McDougal's testimony in this docket in Exhibit RMP__(SRM-2SS).

18. Regulatory Assets. Certain expenses incurred by the Company have been deferred as regulatory assets on the Company's balance sheet. This Commission has previously issued orders allowing the deferral and amortization of these regulatory assets and subsequent recovery in rate proceedings. This Stipulation does not alter or impair the recovery of these regulatory assets previously deferred by the Commission orders under FAS 71.

19. The Parties will file a request with the Commission that the hearing, and the filing of sur-rebuttal testimony and the joint issues matrix due Monday, March 23, 2009 be suspended, and that a Stipulation hearing be scheduled for Tuesday March 31, 2009.

IV. GENERAL TERMS AND CONDITIONS

20. 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.

21. The Parties respectfully request of the Commission that all of the prefiled testimony in this Docket be admitted into the record without witnesses being called or sworn at the proceeding. 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 and the Commission order approving the Stipulation. As applied to the Division and the Committee, the explanation and support shall be consistent with their statutory authority and responsibility.

22. 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.

23. 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.

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

25. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions, considered together as a whole, will produce fair, just and reasonable Utah retail electric utility rates that provide Rocky Mountain Power a reasonable opportunity to earn its authorized return.

BASED ON THE FOREGOING, the Parties request that the Commission issue an order approving this Stipulation and adopting the terms and conditions of this Stipulation.

Respectfully submitted this 23rd day of March, 2009.

ROCKY MOUNTAIN POWER

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