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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism	DOCKET NO. 09-035-15 **SCOPE OF ISSUES LIST AND RECOMMENDATIONS**

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Rocky Mountain Power ("Rocky Mountain Power" or the "Company") hereby submits its Scope of Issues List and Recommendations to the Public Service Commission of Utah ("Commission") pursuant to the Scheduling Order issued by the Commission in this proceeding on April 22, 2009.

On April 14, 2009, the Commission directed the parties in this proceeding to compile a scope of issues list and make recommendations in regard to the Company's proposed energy cost adjustment mechanism ("ECAM") filed with the Commission on March 16, 2009. It is the Company's position that (1) it has fully justified the need for an ECAM in its application for approval thereof; (2) its proposed ECAM is thorough and complete; and (3) the Company is not aware of any problems with its proposed ECAM that must be addressed by the Commission. Accordingly, the Company believes its application and this filing provide the proper scope and list of recommendations to guide the Commission and the parties.

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INTRODUCTION

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ECAMs are widely used by vertically integrated utilities, and allowed by regulators, in traditionally regulated states ("Regulated States"). In fact, as stated by Mr. David M. Boonin of NRRI at the technical conference on May 5, 2009 in this proceeding, of all the Regulated States in the country, Utah is the only one that does not have a form of ECAM. The Company does not expect that the Commission will base its decision to approve the Company's proposed ECAM, or some form thereof, solely on that fact, nor should it. But the fact that Utah is the only Regulated State that has not adopted a form of ECAM is an indication that ECAMs are widely accepted as appropriate ratemaking tools in the public interest, and that past objections to the adoption of an ECAM in Utah have not been found persuasive elsewhere. In any event, the Company's application sets forth compelling reasons for the Commission to approve the Company's proposed ECAM.

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A. Several Factors Support Approval of an ECAM in Utah

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1. <u>In Recent History, Customers Have Not Paid, and the Company Has Not Had a Reasonable Opportunity to Recover Its, Actual and Prudently Incurred Net Power Costs through Base Rates.</u>

Under the current ratemaking structure, customers have not paid, and the Company has not had a reasonable opportunity to recover its, actual and prudently incurred net power costs. While Utah law allows utility companies to use forecast test periods, static test period data cannot accurately reflect the volatility in net power costs that we have experienced and will continue to experience in this highly volatile economic environment. In addition, in recent cases, both the Company's forecasted and actual net power costs were dramatically different from the net power costs recovered in rates for reasons beyond the Company's control.

2. Net Power Costs Are Subject to a High Degree of Volatility Outside of the Company's Control.

The Company's net power costs are subject to a high degree of volatility largely outside of the Company's control. Factors causing the volatility include changes in retail load, hydro conditions, wind generation, market prices, third party wheeling expenses, and natural gas and coal fuel expenses. Because the Company depends on both the electricity and natural gas markets to balance its system and meet its load requirement, fluctuations in both markets invariably impact the Company's net power costs. Compounding the problem is the Company's fluctuations in retail loads. Small fluctuations in load, combined with fuel and wholesale power volatility, will lead to significant changes in net power costs. In addition, the Company's portfolio has wind and natural gas fired generation components, both of which also increase the volatility of the net power costs for the Company.

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B. Several Factors Support Approval of the Company's Proposed ECAM

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The Company's proposed ECAM should be approved for several reasons:

- The Company's proposed ECAM uses the same basic formula that was mentioned by Mr. Boonin as the "classic formula" in the technical conference on May 5,

2009. The Company's ECAM would allow the Company to collect or credit the differences between actual net power costs ("Actual NPC") incurred to serve customers in Utah and the amount collected from customers in Utah through rates set in general rate cases ("Base NPC"). On a monthly basis, the Company would compare the Actual NPC to the Base NPC, and defer the difference in a balancing account. An ECAM rate would be calculated annually to collect from or credit to customers the accumulated balance over the subsequent year.

- The Company's proposed ECAM would be easy to audit because it is simple and straightforward. It can be audited and reconciled by the Division of Public Utilities and monitored by the Commission, without necessitating the use of additional resources. In addition, if the Company's proposed ECAM is implemented as proposed, it would be subject to an annual review which will give the Commission and its staff sufficient time to review the process, and it will provide customers with price stability for a one-year period.
- The Company's proposed ECAM has clearly defined components that are the same net power cost components as those the Company has used for many years in its rate cases. Thus the Commission and parties are very familiar with such components already.
- The Company's proposed ECAM does not need any type of additional incentive for the Company to keep net power costs as low as possible. The biggest incentive for the Company, namely a prudence review, already exists.
- The Company's proposed ECAM aligns private interests with public interests. The Company's proposed ECAM is symmetrical; it safeguards both (i) the

Company's risk when Actual NPC are higher than Base NPC, and (ii) the customers' risk when Actual NPC are lower than Base NPC. The Company's owners have shown, by not taking any dividends since they acquired the Company, that they have a long term commitment to the Company. They only expect the opportunity to recover their costs and earn a reasonable return on their investment, nothing more and nothing less.

- The Company's ECAM surcharge/credit will more closely align costs/credits when they are incurred and, thus, will send more accurate price signals to all customers. While there may still be some lag associated with an ECAM, the lag will not be as big as the lag experienced in rate cases.
- The Company's ECAM surcharge/credit will be applied to all customers more nearly contemporaneously, avoiding the delay and subsidy that is currently in place for certain customers. For example, special contract customers currently lag behind the Company's other customers in the implementation of rate increases. The Company's intent is to ensure that special contract customers pay the Commission-determined surcharge at the same time as the Company's other customers.

CONCLUSION

For the foregoing reasons, the Company recommends that the Commission approve the Company's ECAM, as proposed. The Company has demonstrated that the current environment necessitates approval of its ECAM. In addition, the Company believes that the Company's proposed ECAM is thorough, complete and will be

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beneficial for both the Company and its customers, and, therefore, is in the public interest.

DATED this 26th day of May, 2009.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of May, 2009, I caused to be emailed a true and correct copy of the foregoing **Scope of Issues List and Recommendations** in Docket No. 09-035-15 to the following:

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