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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism</p>	<p>Docket No. 09-035-15</p> <p>PRELIMINARY RECOMMENDATION AND SCOPE OF ISSUES OF UTAH ASSOCIATION OF ENERGY USERS</p>
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In accordance with the Scheduling Order entered in this docket, the Utah Association of Energy Users (UAE) hereby provides its preliminary recommendation and scope of issues in this matter.

UAE Recommendation. UAE recommends that the Commission dismiss the Application filed by Rocky Mountain Power in this Docket for failure to make a prima facie showing that the requested energy cost adjustment mechanism (“ECAM”) is in the public interest. UAE respectfully submits that the Application and supporting testimony fail to adequately demonstrate a need or basis for the ECAM, fail to establish that the ECAM is in the public interest, and fail to address critical issues and implications of the proposed ECAM necessary for a public interest determination to be made.

Scope of Issues. Below is a partial list of issues that UAE believes must be adequately addressed and resolved before the proposed ECAM can be found to be in the public interest. UAE’s recommendation that the Application be dismissed is based upon the failure of RMP’s Application and supporting testimony to establish a prima facie showing that the proposed ECAM is in the public interest in relation to the following issues, among others:

- 1. Need.** To make a prima facie showing that the proposed ECAM is in the public interest, RMP must demonstrate more than the undisputed fact that fuel and market prices are volatile. It must also demonstrate that market volatility cannot adequately be managed through other means, such as an effective hedging strategy. RMP has failed to make any such demonstration. Indeed, there appears to be no reason why RMP’s current hedging strategy should not adequately protect RMP from market volatility.

2. Single Item Ratemaking. The proposed ECAM is a form of “single-issue ratemaking” which runs contrary to the basic principles of traditional utility regulation and should not be utilized absent compelling reasons. RMP has failed to make a prima facie showing of any such compelling reasons.

3. Utility Incentives. Market pressures supply strong incentives for RMP to carefully plan and execute its fuel procurement strategies. An ECAM largely removes these incentives. To make a prima facie showing that the proposed ECAM is in the public interest, RMP must demonstrate that adequate alternatives are available to provide proper management incentives. No such showing has been made or attempted.

4. Regulatory Oversight. Because the proposed ECAM would eliminate market incentives for prudent utility management in controlling fuel and purchased power costs, regulatory oversight would need to supply appropriate incentives. RMP has made no effort to identify or quantify this impact or to demonstrate the ability of Utah’s current regulatory framework to handle the increased workload and responsibility.

5. Risk and ROE. To the extent the proposed ECAM may reduce the utility’s risk or shift risks to consumers, a corresponding reduction in ROE is appropriate. RMP has made no effort to address or quantify the reduction in risk or ROE that would be appropriate in light of reduced risk. Absent such a showing, RMP has failed to establish a prima facie case that the proposed ECAM is in the public interest.

6. **DSM Impacts.** By reducing RMP's financial exposure to high marginal costs during peak hours, the proposed ECAM would reduce the benefit of DSM to the utility. This will likely lead to future demands for decoupling and incentive payments in order to overcome the "disincentive" to undertake DSM activities.

7. **Rate Stability.** The Proposed ECAM would result in more frequent rate changes, resulting in reduced rate stability to the detriment of Utah businesses.

8. **Details.** UAE is concerned that the decoupling proposal lacks sufficient detail to permit meaningful analysis. A proper prima facie showing in support of the proposal should include significant detail on the workings and implications of the proposal.

9. **Other Considerations.** To make a prima facie showing that the proposed ECAM is in the public interest, RMP must demonstrate that the likely benefits of the proposed ECAM outweigh the likely negatives from a public policy perspective. No such showing has been made or attempted.

DATED this 26th day of May, 2009.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 26th day of May, 2009, to the following:

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