

Mark C. Moench (2284)
Yvonne R. Hogle (7550)
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Tel. 801.220.4459
Fax 801.220.4058
mark.moench@pacificorp.com
yvonne.hogle@pacificorp.com

Paul J. Hickey
Admitted Pro Hac Vice
Hickey & Evans, LLP
P.O. Box 467
1800 Carey Avenue, Suite 700
Cheyenne, Wyoming 82003-0467
Tel. 307.634.1525
Fax 307.638.7335
phickey@hickeyevans.com

Katherine A. McDowell
Admitted Pro Hac Vice
McDowell & Rackner, P.C.
520 SW 6th Avenue, Suite 830
Portland, OR 97204
Tel. 503.595.3924
Fax 503.595.3928
Katherine@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. 10-035-124
)	
)	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 \$232.4 million, and approval of its proposed electric service schedules and electric service regulations to become effective September 21, 2011, 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 800,000 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: dave.taylor@pacificorp.com

Yvonne R. Hogle, Senior Counsel
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
yvonne.hogle@pacificorp.com

Paul Hickey
Hickey & Evans, LLP
P.O. Box 467
1800 Carey Avenue, Suite 700
Cheyenne, Wyoming 82003-0467
phickey@hickeyevans.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 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 substantially complies with the minimum filing requirements established by the Commission in Utah Admin. Code R746-700-10 through R746-700-23 - for a general rate case filing. Attachment 1 to the Application lists each filing requirement and the location of the responsive information which can be found in Attachment 1, in the testimony or within folders saved on the enclosed CDs.

5. 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.

6. 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 \$232.4 million. Rocky Mountain Power's request is based upon a forecast test year ending June 30, 2012 using a 13 month average rate base with a historical base period and a return on equity ("ROE") of 10.5 percent. The Company believes the Test Period best reflects the conditions during which the new rates will be in effect. In addition, statutory constraints, the current regulatory environment and the need for transparency with regulators and customers also balances the need for adequate recovery of prudent costs.

7. Based on the Utah-allocated adjusted results of operations for the Test Period, current rates without the requested increase will produce an overall ROE in Utah of 5.5 percent. The revenue increase for which approval is requested is based, in part, on a ROE of 10.5 percent as recommended by Dr. Samuel C. Hadaway. Dr. Hadaway's recommendation is based on his analysis, specifically described in Dr. Hadaway's testimony, that an ROE of 10.5 percent accurately reflects recent market circumstances, interest rate increases, and reasonable investor expectations. An overall price increase of \$228.8 million would be required to produce the 10.5 percent ROE under the Revised Protocol allocation method. However, according to the stipulation approved by the Commission in Docket 02-035-04, a Rate Mitigation Premium applies in this case adding \$3.6 million to the price change, for a total requested increase of \$232.4 million.

8. The Company recently proposed modifications to the Revised Protocol in an application filed with the Commission also under Docket No. 02-035-04 (the "2010 Protocol Application"); the revised methodology is called the '2010 Protocol.' The 2010 Protocol contains proposed amendments to the Revised Protocol based on collaboration

with multiple stakeholders through the multi-state process Standing Committee, the group tasked with evaluating the continued use of the Revised Protocol for setting rates. The 2010 Protocol Application was filed with the Commission on September 15, 2010, and is currently pending before the Commission. Interested parties are working toward a possible settlement agreement, and testimony is scheduled to be filed on February 23, 2010, if a settlement is reached. The Company intends to include in this case any Test Period impacts related to any Commission-approved outcome in that Docket.

Primary Cost Drivers

9. The Company's requested increase in rates is driven by significant increases in net power costs and the significant level of capital additions which are necessary to ensure safe and reliable service to our customers.

10. Rocky Mountain Power's need for capital investment is the result of past and future load growth in Utah and our other states. Rocky Mountain Power projects load growth to continue into the future. Such customer growth and increasing loads, coupled with environmental requirements, hydro relicensing costs 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 plans to place approximately \$2.8 billion of capital projects into service between July 1, 2010 and June 30, 2012, in addition to the \$800 million dollars for the Dunlap 1 wind project and Ben Lomond to Populus transmission line included in the recent major plant addition case. This includes over \$1.3 billion of generation related projects, over \$600 million in transmission related projects, and over

\$200 million Utah distribution related projects.

12. Utah loads for this case are higher than in the 2009 general rate case (Docket 09-035-23). This load change, along with revised load forecasts for other PacifiCorp states result in a higher percentage of common costs being allocated to the state through the inter-jurisdictional 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. Without a general rate increase now, and with the additional capital investments made by the Company, coupled with increases in net power costs, 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 64 percent of the Utah revenue requirement increase in the Application, a significant driver of this case. The volatility in the natural gas and wholesale power markets has produced a riskier environment for all participants in the wholesale energy markets, including regulated utilities. In addition, since the Company's last rate increase request, wholesale sales revenue decreased significantly and coal costs increased as a result of the expiration of very favorably priced long-term coal purchase agreements.

Rate Spread

15. 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.

16. 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 Application
Residential	14.6%
General Service	
Schedule 6	12.6%
Schedule 8	14.6%
Schedule 9	16.6%
Schedule 23	12.6%
Irrigation	18.6%

Rate Design

17. To achieve the schedule changes in the rate categories set forth above, Rocky Mountain Power proposes to uniformly increase demand and energy charges and to increase the Customer Charge for general service, irrigation and traffic signals customers.

18. Rocky Mountain Power is also proposing to increase the current residential Customer Charge by \$6.25 per month to \$10.00 per month. The Company is proposing no substantive changes to the residential energy charges or energy charge structure. The Company also proposes to eliminate the minimum bill.

19. The current Customer Charge fails to recover the related fixed costs of serving residential customers, including the cost of meters, service drops, poles and conductors, transformers, and retail service. The proposed changes to residential rates will improve recovery of fixed costs, reduce revenue volatility, and minimize

subsidization within the residential customer class.

Billing Determinants

20. The testimony of William R. Griffith contains a summary of present and proposed prices along with the billing determinants used in preparing the pricing proposals in the case. In the billing determinants, Schedule 40 Major Plant Additions revenues are shown separately in T47 present prices. For T48 proposed prices, tariff Schedule 40 has been eliminated and those revenues, along with the proposed price change, are recovered through the proposed prices.

Witnesses – Prefiled Written Testimony

21. 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 2011 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 \$232.4 million.

- **Steven R. McDougal**, Director, Revenue Requirement, will present the Company's overall revenue requirement based on the forecast 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.

- **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 risks that Rocky Mountain Power faces and why the Commission should authorize a return on equity that will account for these risks and challenges.

- **Dr. Peter C. Eelkema**, Lead/Senior Consultant, Load and Revenue Forecasting, will testify on the changing loads and revenues in Utah. 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 present the Company's net power costs for the test period. Mr. Duvall will address the major cost drivers and will address all of the issues the Commission requested the Company to explain in the Commission's 2009 general rate case order.

- **Cindy A. Crane**, Vice President, Interwest Mining Company and Fuel Resources for PacifiCorp Energy, will explain the Company's overall approach to providing the coal supply for the Company's coal plants and support the level of coal costs included in fuel expense in this case.

- **Stefan A. Bird**, Senior Vice President, Commercial and Trading PacifiCorp Energy, will support the level of revenue related to the sale of renewable energy credits in the test period and will address and demonstrate the prudence of the Top of the World power purchase agreement for which the Company is seeking cost recovery.

- **Chad A. Teply**, Vice President of Resource Development and Construction for PacifiCorp Energy, will support the prudence of capital investments in pollution control equipment, generation plant, and hydro projects being placed in service during the test period. His testimony also supports the prudence of incremental generation

operations and maintenance costs associated with certain new resources, new pollution control equipment, and other generation fleet operational changes impacting this case.

- **Darrell T. Gerrard**, Vice President of Transmission System Planning, will explain and support the major capital investments in the Company's main transmission grid. He explains the primary driver(s) creating the need for these projects, and describes the benefits to customers and the electrical system overall.

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

- **Dean S. Brockbank**, Vice President and General Counsel of PacifiCorp Energy, explains the process that has been followed for relicensing the Klamath Hydroelectric Project ("Project") and settlement of issues related to the relicensing proceeding. He also explains how the expenses and costs for relicensing and settlement for the Project are prudent expenditures that have been incurred in the best interest of Rocky Mountain Power's customers.

- **Erich D. Wilson**, Director, Human Resources, will describe the Company's compensation and benefit plans provided to employees at the Company and support the costs related to these areas included in the test period.

- **Scott D. Thornton**, Manager-Metered Data Management, Metering Business, will provide an overview of load research in general and the processes surrounding the development of load estimates used in the Company's rate filing

- **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, Cost of Service, and Regulatory Operations, will present the Company's rate spread and rate design proposals.

- **Jeffrey M. Kent**, Director Distribution, will propose changes to the Company's pole attachment rate to reflect the administrative support cost for managing the joint use of the Company's poles and to include a fee schedule of non-recurring charges as part of Schedule 4.

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 \$232.4 million.
2. Approve the Company's proposed electric service schedules and electric service regulations.

DATED this 24th day of January, 2011.

Respectfully submitted,

ROCKY MOUNTAIN POWER

Mark C. Moench (2284)
Yvonne R. Hogle (7550)
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Tel. 801.220.2050
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