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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Ben Lomond to Terminal Transmission Line and the Dave Johnston Generation Unit 3 Emissions Control Measure	Docket No. 10-035-13 SETTLEMENT STIPULATION
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Rocky Mountain Power (“Rocky Mountain Power” or the “Company”), the Division of Public Utilities (“Division”), the Office of Consumer Services (“Office”), the parties known as the UAE Intervention Group (“UAE”), and the parties known as the Utah Industrial Energy Consumers (“UIEC”) (collectively, “Parties”), pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, hereby request that the Commission enter an order granting the Company’s Application for Alternative Cost Recovery (“Application”) in this docket based upon

the terms and conditions of this Settlement Stipulation (“Stipulation”). The Parties are authorized to represent that no party to this docket opposes this Stipulation.

BACKGROUND

1. On February 1, 2010, the Company filed its Application seeking, pursuant to Utah Code Ann. § 54-7-13.4, alternative cost recovery of the major plant addition investments the Company is making in the Ben Lomond to Terminal Transmission Line and the Dave Johnston Generation Unit 3 (“DJ3”) environmental improvement measures. The Application sought an increase in rates of \$33.7 million and requested that the rate increase be deferred until approximately January 1, 2011. The Application was supported by direct testimony of seven witnesses and extensive appendices filed pursuant to Utah Admin. Code R746-700-30.

2. The Commission held a duly noticed scheduling conference on February 17, 2010 and issued a Scheduling Order pursuant to the discussion and agreement of the parties on March 2, 2010.

3. Petitions to intervene were filed by UAE, UIEC, and Nucor, all of which were granted by the Commission.

4. On March 25, 2010, the Company updated the rate increase requested in the Application to \$33.0 million based on the return on equity (“ROE”) allowed in Docket No. 09-035-23.

5. The Parties other than the Company conducted extensive discovery of the Company regarding the issues in this proceeding.

6. On April 26, 2010, in accordance with the schedule established by the Commission, the Division, Office, UAE and UIEC filed direct testimony of eight witnesses on the Application. These Parties proposed adjustments to and raised issues regarding the rate relief sought in the Application.

7. The Parties met on May 5, 2010, to discuss settlement. Based upon those discussions, the Parties have agreed that the Application may be granted on the terms and conditions set forth in this Stipulation.

STIPULATION

Specific Terms and Conditions

8. The Parties agree that the Company’s Application should be granted on the following terms and conditions:

9. The Parties agree, for purposes of settlement and for this case only, that:

a. The Commission should enter an order pursuant to Utah Code Ann. § 54-7-13.4(4)(a)(ii), approving cost recovery of the Ben Lomond to Terminal transmission line and the DJ3 environmental improvement projects involved in this docket (the “MPA Projects”);

b. The Commission’s Order should determine pursuant to Utah Code Ann. § 54-7-13.4(4)(b)(i) that Utah’s share of the projected net revenue requirement impact of the MPA Projects, including prudently-incurred capital costs and other reasonably projected costs, savings, and benefits, is \$30.8 million annually;

c. Utah’s share of the projected net revenue requirement impact of the MPA Projects was derived by the parties as follows:

	Amount (\$ millions)
Rocky Mountain Power revised request	\$ 33.0
Allocation Adjustment	(0.3)
Update plant in-service costs associated with the Ben Lomond to Terminal transmission project	(1.0)
Update plant in-service costs associated with the DJ3 scrubber	(0.2)

Correct DJ3 heat rate	(0.3)
Remove remaining heat rate adjustment	(0.1)
Modeling changes (general business revenues and IBT factor)	(0.1)
Include an agreed upon value of incremental SO2 allowances associated with the DJ3 scrubber, in lieu of a four year amortization	(0.2)
SETTLEMENT AMOUNT	\$ 30.8

d. The Commission’s order should direct the Company to record monthly the amount of \$2,566,667 on the books of the Company as a Utah-specific regulatory asset beginning on the later of July 1, 2010 or the date that the MPA Projects are both in service, and ending on the last day of the month (or prorated for a portion of such month) when rates are adjusted to begin collecting the deferred balance from customers; and

e. The Commission’s order should authorize the Company to record a carrying charge of 0.695 percent per month, calculated as one-twelfth of the Company’s weighted cost of capital of 8.34 percent as determined in Docket No. 09-035-23, to be added to and become part of the unrecovered regulatory asset balance each month.

10. The Parties further agree that this Stipulation resolves, and the Parties agree not to contest in any other proceeding, the monthly amount of the regulatory asset to be booked by the Company or its ultimate recovery from customers in rates. The parties also agree that, no part of this Stipulation or a Commission Order approving the same, shall in any manner be argued or considered as precedential in any future Major Plant Addition case. The agreements specified in paragraphs 9 and 11 of this Stipulation remain in full force and effect notwithstanding this paragraph 10. This Stipulation does not resolve, and the Parties are free to take any position with

respect to, the means of collecting the regulatory asset from customers solely with respect to the following issues:

- a. the date collection will begin,
- b. the period of time over which recovery will take place,
- c. the allocation of the deferred balance recovery among Utah customers and customer classes,
- d. the structure of the collection mechanism, whether in base rates or as a surcharge,
- e. the rate design of the collection mechanism, and
- f. the billing determinants to be used.

11. The Parties also agree that the stipulated annual \$200,000 credit for incremental DJ3 scrubber SO2 emissions allowance sales is being used for purposes of settlement, rather than a four-year amortization, as is currently used in setting Utah rates. The Parties agree that this value (\$16,667 per month, Utah situs, to the extent and for so long as it is included as an offset to the regulatory asset accrual to be approved hereby), will be excluded from the amount that would otherwise be used to establish the four-year amortization of SO2 emissions allowance sales revenue for general rate case purposes.

General Terms and Conditions

12. Not all Parties agree that each aspect of the adjustments to the Company's Application necessary to arrive at this Stipulation is warranted or supportable in isolation. Utah Code Ann. § 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Parties are not able to agree on each specific

component of the adjustments that resulted in this Stipulation, all of the Parties agree that the rate change proposed by this Stipulation is just and reasonable in result and in the public interest.

13. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation for purposes of this docket only, in accordance with Utah Admin. Code R746-100-10.F.5, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

14. The parties request that the Commission hold a hearing on this Stipulation. Rocky Mountain Power, the Division, and the Office each will, and other Parties may, make one or more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission's approval of this Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

15. 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 this Stipulation. As applied to the Division and the Office, 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.

16. Except with regard to the obligations of the Parties under the three 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 presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

17. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

18. Based on the foregoing, the Parties request that the Commission schedule a hearing on this Stipulation and, thereafter, enter an order approving the Company's Application on the terms and conditions set forth in this Stipulation.

RESPECTFULLY SUBMITTED: May 17, 2010.

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CERTIFICATE OF SERVICE

I hereby certify that on May 17, 2010, I caused to be emailed a true and correct copy of the foregoing **SETTLEMENT STIPULATION** to the following:

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