

February 3, 2004

Mr. Robert L. Glazener
1641 High Oaks Lane
Draper, Utah 84020

Re: Proposed Utah Power Residential Three Tier Rate Structure/Increases

Dear Mr. Glazener:

Thank you for taking time to write to the Commission about your concerns with the residential rate design in the current Utah Power rate case. The Commissioners have asked me to respond to your letter.

As you mentioned in your letter, the three-tier rate structure only applies during the summer season months of May through September. An analysis of Utah Power's loads and resources shows that electricity use during the summer season is the main driver behind the need for expensive wholesale electricity purchases as well as new infrastructure, including new electric generation plants and associated transmission and distribution facilities. A detailed cost analysis completed for the case showed that the costs of meeting peak summer usage actually exceeded the 9 cent rate you mentioned. The rate design is intended to send consumers a price signal that is reflective of cost. In addition to recent conservation programs, Utah Power has proposed a new residential time-of-use rate to help consumers more efficiently manage their electricity usage.

These new rate designs are a response to Utah Power's current load and resource position and the attendant costs of meeting the growing summer peak usage. The effects of these rate designs will be evaluated over the next year and the designs revisited in the next case.

Thank you again for your interest in the ratemaking process.

Sincerely,

Lowell Alt
Executive Staff Director

