

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF UTAH**

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR APPROVAL OF ITS PROPOSED ELECTRIC RATE SCHEDULES & ELECTRIC SERVICE REGULATIONS	DOCKET NO. 06-035-21  <b>STIPULATION REGARDING REVENUE REQUIREMENT AND RATE SPREAD</b>
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1. This Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties”).

**I. INTRODUCTION**

2. The terms and conditions of this Stipulation are set forth herein. The Parties represent that this Stipulation is in the public interest and recommend that the Public Service Commission (the “Commission”) approve the Stipulation and all of its terms and conditions.

**II. BACKGROUND**

3. On March 7, 2006, PacifiCorp filed an application, together with revenue requirement, cost of service, rate spread and rate design testimony, for a rate increase of \$197.2 million based on a 12 month forecast test period ending September 30, 2007. On April 5, 2006, in compliance with the provisions of Commitment U23 of Appendix A to the Stipulation in Docket No. 05-035-54, PacifiCorp filed supplemental testimony that reduced the Company's proposed rate increase from \$197.2 million to \$194.1 million.

4. On April 4, 2006, the Commission issued an order establishing the procedural schedule for this proceeding. On April 18, 2006, May 1, 2006 and May 24, 2006, the Commission issued orders amending that schedule.

5. The Parties held settlement conferences on July 10, 11 and 12, 2006. The settlement negotiations were open to all parties.

6. As a result of the settlement negotiations, the Parties to this Stipulation have agreed to the revenue requirement, rate spread and other matters specified herein.

### **III. TERMS OF STIPULATION**

7. Revenue Requirement. The Parties agree that, under this Stipulation and upon Commission approval, customer rates should increase by \$85 million on December 11, 2006, as shown on the schedule attached hereto as Exhibit 1 and by an additional \$30 million on the date specified in paragraph 8. In order to accomplish the same, the Parties agree that PacifiCorp should be allowed to increase its annual Utah jurisdictional revenue requirement by \$115 million effective on December 11, 2006, subject to the rate credit specified in paragraph 8. There is no overall agreement as to the test period or revenue requirement adjustments which led to the stipulated revenue requirement increases because different parties relied upon different test periods and adjustments in supporting the agreed upon \$115 million increase.

8. Rate Credit. The Parties agree that customers will receive an annualized rate credit of \$30 million beginning on December 11, 2006, and terminating on June 1, 2007. The rate credit will be reflected as a line item on customers' bills in accordance with Exhibit 1.

9. Return on Equity. The Parties agree that PacifiCorp's authorized return on common equity for purposes of this Stipulation will be 10.25%.

10. Rate Spread. The Parties agree that the allocation of revenues to customer classes to recover PacifiCorp's increased revenue requirement should be in accordance with the schedule attached to this Stipulation as Exhibit 1. The Parties agree that, for the purposes of revenue allocation in this case, all rate increase revenues will be allocated to tariff customer classes and not to special contract customers. This paragraph does not modify any rate change or other provisions of any special contract.

11. Retail Load Forecast. Consistent with the Commission's Order dated May 19, 2006, in Docket 06-035-26, PacifiCorp included in its retail load forecast used for purposes of this rate case the full projected load for the Utah County facilities of IM Flash Technologies, LLC ("IM Flash"). The full projected IM Flash load for the time period October 2006 to September 2007, is specified in Exhibit 2. The Parties agree that IM Flash's projected load should properly be included in PacifiCorp's retail load forecast for ratemaking purposes.

12. Next Rate Case. PacifiCorp agrees that it will not file another Utah general rate case before December 11, 2007, which would result in an anticipated rate effective date no earlier than August 7, 2008. PacifiCorp will provide notice to the Parties of its intention to file its next general rate case at least 60 days prior to the date that it actually files its next general rate case.

13. Power Cost Adjustment Mechanism. PacifiCorp agrees that it will withdraw its application in Docket No. 05-035-102. PacifiCorp also agrees that it will not file another application for approval for any kind of a power cost adjustment mechanism prior to

December 11, 2007.

13. Filing Requirements. In its February 22, 2006, Order in Docket No. 06-035-21, the Commission approved a Stipulation on Filing Requirements, Discovery and Timing of Test Period Hearing (“Filing Requirements Stipulation”). In the Filing Requirements Stipulation, PacifiCorp agreed, for the purposes of this docket only, to provide the additional revenue requirement filing information, additional cost of service filing information, and response to the revenue requirement data requests, cost of service data requests and other data requests specified in Attachments A, B, C, D and E to the Filing Requirements Stipulation. The Parties agree that they will hold discussions regarding appropriate revenue requirement and cost of service information filing requirements and master data requests for PacifiCorp’s next Utah general rate case. If PacifiCorp and the parties participating in those discussions are unable to reach agreement on new information filing requirements, PacifiCorp agrees that it will provide with the application in its next general rate case the additional revenue requirement filing information, additional cost of service filing information and data responses, all as adjusted for the test period proposed in that general rate case, specified in Attachments A, B, C, D and E to the Filing Requirements Stipulation and within the time frames specified in such Stipulation.

14. Regulatory Assets. Certain expenses incurred by the Company have been deferred as regulatory assets on the Company’s balance sheet. This Commission has previously issued orders allowing the deferral and amortization of regulatory assets and subsequent recovery in rate proceedings. This Stipulation does not alter or impair the recovery of these regulatory assets previously deferred by Utah Commission orders under

FAS 71.

15. Utah System Maintenance and Capital Expenses. In its filing in this docket, PacifiCorp provided forecasts of the expenditures for its proposed test period required for the operation and maintenance of PacifiCorp's Utah electrical transmission and distribution system. Although the Parties have not agreed on specific revenue requirement adjustments to comprise the \$115 million revenue requirement increase, and although PacifiCorp may, in the exercise of its managerial discretion and in order to operate and maintain its system in a reasonable and prudent manner, make expenditures that are different than its forecasts, PacifiCorp agrees as follows:

a. During the period from October 2006 to September 2007, PacifiCorp's expenditures for distribution maintenance set forth in Federal Energy Regulatory Commission ("FERC") accounts 590 through 598 will be not less than 93% of \$67.5 million;

b. During the period from October 2006 to September 2007, PacifiCorp's capital costs for distribution pole replacements will be not less than \$5.1 million.

PacifiCorp further agrees that it will provide a report of the status of its compliance with this commitment to the Division of Public Utilities ("DPU") and the Committee of Consumer Services ("CCS") on November 15, 2007. The report on the status of compliance will include the actual expenses in FERC accounts 590 to 598 for the twelve months ended September 2007 at the same level of detail and format consistent with the information included in the forecast test year in this case, including the consistent treatment of the capital clearing amount in FERC account 593 in the comparison. The net revenue requirement impact of the expenditures below 93% of the amount specified in subparagraph (a.) and below 100%

of the amount specified in subparagraph (b.) above will be deferred for treatment in a future rate case.

16. Reporting Requirement. The Company agrees to provide summary actual results of operations for the states of Utah, Idaho and Wyoming comprising Rocky Mountain Power's service territory in its semi-annual results of operations reports. The information will be similar in format on a FERC account basis with the information provided in Tab 2 of the semi-annual results of operations reports, with a column included for the actual costs allocated or assigned to the Rocky Mountain Power service territory.

17. Rate Design. This Stipulation does not address rate design. The Parties agree that they will continue to negotiate in good faith to reach agreement on the rate design issues in this case. If the Parties are unable to reach agreement, rate design issues will be tried in accordance with the procedural schedule in this Docket.

18. Obligations of the Parties. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation.

19. Recommendation and Support. The Parties recommend that the Commission approve and adopt this Stipulation in its entirety. If this Stipulation is approved by the Commission in its entirety, no Party shall appeal any portion of this Stipulation and no Party shall oppose the adoption of this Stipulation in any appeal filed by any person not a party to the Stipulation. The Company, the Division and the Committee shall make witnesses available to testify in support of this Stipulation and other parties may make such witnesses available. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate in cross-examination and in providing testimony as necessary to

rebut the testimony of opposing witnesses.

20. Reservation of Right to Withdraw from Stipulation. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by an appellate court, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding delivered no later than five (5) business days after the issuance date of the applicable Commission or court order, to withdraw from this Stipulation. Prior to that election, Parties agree to meet and discuss the Commission's order or court's decision. In the event that no new agreement is reached, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to undertake any steps it deems appropriate.

21. Public Interest. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions, considered together as a whole, will produce fair, just and reasonable results.

22. No Waiver or Precedent. No Party is bound by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgement by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery, and no Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future and

shall not be deemed to constitute precedent nor prejudice the rights of any party in future proceedings. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

Dated this \_\_\_\_\_ day of July, 2006.

PACIFICORP  
DBA Rocky Mountain Power

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Mark C. Moench  
Senior Vice President & General Counsel

UTAH DIVISION OF PUBLIC UTILITIES

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Michael Ginsberg  
Patricia Schmid  
Assistant Attorney General



UTAH COMMITTEE OF CONSUMER SERVICES

---

Reed Warnick

Paul Proctor

Assistant Attorney General

UTAH INDUSTRIAL ENERGY CONSUMERS

---

F. Robert Reeder

Vicki M. Baldwin

Attorneys for UIEC, an Intervention Group

FEDERAL EXECUTIVE AGENCIES

---

Lt. Col. Karen White, USAF

Capt. Williams, USAF

UAE INTERVENTION GROUP

---

Gary Dodge

AARP

---

Dale Gardiner  
Thomas Forsgren

THE KROGER CO.

---

Michael L. Kurtz

ROGER BALL

---

SALT LAKE COMMUNITY ACTION PROGRAM

---

Catherine C. Hoskins

CROSSROADS URBAN CENTER

---

Glenn L. Bailey

NUCOR

---

Peter J. Mattheis

Jeremy Cook

IBEW

---

Arthur Sandack

QUESTAR GAS COMPANY

---

C. Scott Brown

CENTRAL VALLEY WATER

---

Ronald J. Day

UTAH MANUFACTURERS ASSOCIATION

---

Thomas Bingham

US MAGNESIUM

---

Roger Swenson

SALT LAKE CITY CORPORATION

---

Marco Kunz