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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>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.</p>	<p>Docket No. 08-035-38</p> <p>ROCKY MOUNTAIN POWER'S MOTION FOR APPROVAL OF TEST- PERIOD</p>
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Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), pursuant to the Public Service Commission of Utah’s (“Commission”) Scheduling Order, issued August 1, 2008, hereby submits this Motion for Approval of Test Period. The Company respectfully requests that the Commission approve the test period used by the Company in filing this case, which is twelve months ending June 30, 2009, using end-of-period rate base.

Utah Code Ann. § 54-4-4(3)(a) states that in determining just and reasonable

rates, the Commission “shall select a test period that, *on the basis of evidence*, the commission finds *best reflects the conditions that a public utility will encounter during the period when the rates determined by the commission will be in effect.*” (Emphasis added). In its October 20, 2004 Order in Docket No. 04-035-42, the Commission identified the following factors for consideration in test period selection, including:

- (1) the general level of inflation;
- (2) changes in the utility’s investment, revenues, or expenses;
- (3) changes in utility services;
- (4) availability and accuracy of data to the parties;
- (5) ability to synchronize the utility’s investment, revenues, and expenses;
- (6) whether the utility is in a cost increasing or cost declining status;
- (7) incentives to efficient management and operation; and
- (8) the length of time the new rates are expected to be in effect.

In its Order dated February 14, 2008 in Docket No. 07-035-93, the Commission also expressed its desire to balance Company and ratepayer interests.

The Company’s proposed test period is a conservative choice that balances the need for adequate cost recovery with the need for transparency and risk sharing between the Company and its customers. The Company selected the test period in this case in consideration of the current regulatory environment, state statutes governing test period development and the business factors identified above by the Commission. The Company’s test period is explained and supported on a factor-by-factor basis in the Direct Testimony of Steven R. McDougal/5-17.

Utah law requires that rates be just and reasonable. Utah Code Ann. § 54-4-4. To be just and reasonable for both ratepayers and utilities, rates must accurately reflect costs expected to be incurred by a utility during the period when rates are in effect. Current economic conditions and the need for major capital investment to accommodate load growth dictate the use of a forward-looking test period, rather than a historical test period.

To that end, Utah statutes now allow the use of a forward-looking test period, which may include data forecast up to 20 months ahead of the filing date of a rate case. Utah Code Ann. § 54-4-4(3)(a).

In the 2007 general rate case (Docket No. 07-035-93), the Commission denied the Company's use of a 19 month forecast based on concerns about the unreliability of using data forecast 19 months ahead of the filing date. Consistent with the Commission's finding, the Company proposed a shorter (12 month) forecast test period in this case. However, the Company believes that annualization of rate base to end of test period levels is necessary to more accurately reflect plant in service anticipated during the rate effective period. The effect of annualization of rate base is to reduce regulatory lag on the Company's new capital investments by an average of six months, which is significant given the increasing cost pressures the Company is facing related to these investments. More importantly, this approach offers more transparency regarding the nature and amount of the projected capital costs and thereby helps alleviate concerns about reliability of forecast data from more than 12 months into the future.

In the past, the Commission has generally used historical test periods with average-of-period rate base. The passage of Utah Code Ann. 54-4-4(3)(a), coupled with current economic conditions and capital investment imperatives, should cause the Commission to reconsider such precedent. In any event, in reviewing a previous Commission determination on test period and end-of-period rate base, the Utah Supreme Court stated that "in future proceedings, the Commission will decide issues concerning test year ... based on the then existing conditions of the utility and the economy in which it is operating." See *Mountain Fuel Supply Company v. Public Service Commission of Utah*, 861 P.2d 414 (Utah 1993). Current economic conditions support the use of a forward test period using end-of-period rate base in order for rates to be just and reasonable for both ratepayers and the Company.

Wherefore, the Company respectfully requests that the Commission approve the

test period in this case, 12 months ending June 2009 with end-of-period rate base consistent with the Commission's Scheduling Order, issued August 1, 2008. The Company proposes that the Commission hear evidence in support of this request, in accordance with the following schedule:

Direct Testimony on Test Period Issues	September 5, 2008
Rebuttal Testimony on Test Period Issues	September 15, 2008
Hearing on Test Period Issues	September 23, 2008

RESPECTFULLY SUBMITTED: August 18, 2008.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 18th day of August, 2008, to the following:

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