

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism))))))	<u>DOCKET NO. 09-035-15</u> <u>REPORT AND ORDER</u>
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ISSUED: February 8, 2010

SYNOPSIS

At the conclusion of Phase I of this docket, the Commission concludes it will proceed with further examination of an energy cost adjustment mechanism (ECAM) that would address the difficulties PacifiCorp raises about its power costs and their impact on the company's operations and ratemaking in the State of Utah. The Commission additionally gives notice that it will proceed to Phase II of this docket to consider the proposed ECAM and any modifications or alternatives which parties might want to propose.

By The Commission:

As we come to the end of what we have called Phase I of this docket, we conclude we will proceed with further examination of an ECAM or energy cost adjustment mechanism, that would address the difficulties PacifiCorp raises about its power costs and their impact on the company's operations and ratemaking in the State of Utah. In the June 18, 2009, Notice of Scheduling Conference and Procedural Order (June 18 Procedural Order), we indicated that we would continue on to Phase II of this docket if we were to conclude that an ECAM were in the public interest. Several parties have objected to an ECAM under any circumstances. Contrary to their position, we do not believe the evidence presented precludes a conclusion that one could design an ECAM and use it consistent with the public interest.

In light of the testimony presented in Phase I, it is clear to us that a final conclusion on the public interest is dependent upon a number of matters and evidence which were not sufficiently developed at the conclusion of Phase I. The responding parties critique various aspects of the specific ECAM described and proposed by PacifiCorp. The critiques show that it is not necessarily the use of an ECAM that presents the problems which parties raise but rather the inclusion or non-inclusion of specific elements in the construction of any particular ECAM.

We make no conclusion relative to the specific ECAM and operation PacifiCorp proposed in Phase I. Although many parties have commented thereon, our directions for Phase I did not specifically request that parties address the ECAM proposed by PacifiCorp. Therefore, we do not want to foreclose a party, which, based on those instructions, may reasonably have anticipated it would have a future opportunity to address any and all aspects of PacifiCorp's proposed ECAM. All parties must have the opportunity to make full and complete comment on the proposed ECAM and PacifiCorp to respond thereto. Also, this does not preclude the examination of an alternative ECAM or any other measure or means which would address the difficulties PacifiCorp claims to be associated with its recovery of power costs consistent with a reasonable balance of public policies. In addition, we would like to see the two issues raised by the Office of Consumer Services addressed: namely, is the company's use of natural gas hedging and the level of and reliance on market energy affected by the use of an ECAM? We will continue this docket into Phase II to make this exploration together with all other relevant areas of inquiry.

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We anticipate that we will hold a technical conference in order to discuss with parties the possible relationship the further proceedings in this docket may have with other dockets pending before the Commission and where various matters should correspondingly be considered and addressed or consolidated into this docket. Thereafter, we will hold a scheduling conference to schedule further proceedings in this docket in light of the decisions we make having the benefit of the technical conference discussion.

ORDER

Wherefore, we enter this Order, wherein we give notice that we will proceed to Phase II of this docket to consider PacifiCorp's proposed ECAM and any modifications or alternatives which parties might propose.

DATED at Salt Lake City, Utah, this 8th day of February, 2010.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#65256