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*Attorneys for Rocky Mountain Power*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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.	)	)
	)	DOCKET NO. 09-035-23
	)	<b>APPLICATION</b>
	)	

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**APPLICATION FOR GENERAL RATE INCREASE**

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Rocky Mountain Power (“Rocky Mountain Power” or “Company”) hereby submits its application (“Application”) to the Public Service Commission of Utah (“Commission”) requesting approval of an increase in its retail electric utility service rates in Utah in the amount of \$66.9 million, and approval of its proposed electric service schedules and electric service regulations to become effective February 18, 2010, in accordance with the 240-day period provided under Utah Code Ann. § 54-7-12(3). In support of the Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp. PacifiCorp is an Oregon corporation that provides electric service to retail customers through its Rocky Mountain Power division in the states of Utah, Wyoming, and Idaho, and through its Pacific Power division in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. The Company serves approximately 800,000 customers and has approximately 2,400 employees in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111.

3. Communications regarding this filing should be addressed to:

David L. Taylor  
Utah Regulatory Affairs Manager  
Rocky Mountain Power  
201 South Main Street, Suite 2300  
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In addition, Rocky Mountain Power requests that all data requests regarding the Application be sent in Microsoft Word or plain text format to the following:

By email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

Informal questions may be directed to Dave Taylor, Utah Regulatory Affairs Manager at (801) 220-2923.

#### **Request for Authority to Increase Rates**

4. The Application includes only those elements of the revenue increase request necessary to maintain and provide safe and reliable service to its customers at a level they both expect and deserve.

5. Pursuant to applicable Utah law and Commission rules, Rocky Mountain Power hereby requests authority to increase its retail rates in Utah by an amount of \$66.9 million. Rocky Mountain Power's request is based upon a forecast test year ending June 30, 2010 using a 13 month average rate base and a return on equity ("ROE") of 11.0 percent. The forecast test period was approved by the Commission May 21, 2009 pursuant to the Test Period Stipulation entered into by and among the Company, Division of Public Utilities, Office of Consumer Services, Utah Industrial Energy Consumers and UAE Intervention Group May 14, 2009. The Company believes the Test Period is conservative and balances the need for adequate cost recovery with the need for

transparency and risk sharing between the Company and its customers.

6. Based on the Utah-allocated adjusted results of operations for the Test Period, current rates without the requested increase will produce an overall ROE in Utah of 8.9 percent. The revenue increase for which approval is requested is based on a ROE of 11.0 percent as recommended by Dr. Samuel C. Hadaway. Dr. Hadaway's recommendation is based on his analysis, specifically described in Dr. Hadaway's testimony, that an ROE of 11.0 percent accurately reflects recent market circumstances, interest rate increases, and reasonable investor expectations.

Primary Cost Drivers

7. The Company's requested increase in rates is driven by Rocky Mountain Power's increased capital costs in generation, transmission and distribution plant investment which are necessary to ensure safe and reliable service to our customers and to increase the amount of renewable resource generation in the Company's portfolio.

8. Rocky Mountain Power's need for capital investment is the result of past and future load growth in Utah and our other states. While load growth has slowed somewhat in the near term, Rocky Mountain Power projects load growth to continue into the future. Such customer growth and increasing loads, coupled with environmental requirements and improved reliability expectations are drivers for new utility plant investments. Furthermore, investments in new facilities have associated fuel costs, financing costs, and operation and maintenance expenses related to them.

9. Excluding investments in new supply side resources, the Company plans to place approximately \$608 million of generation related projects in service between the historical base period and the test period ending June 30, 2010.

10. Utah loads for this case are slightly lower than in the 2008 general rate case (Docket 08-035-38). This load change, along with revised load forecasts for other PacifiCorp states result in a higher percentage of common costs being allocated to the state through the inter-jurisdictional cost allocations under the Revised Protocol used by the Company in preparing this filing.

11. Rocky Mountain Power anticipates that it will continue to experience increasing costs that are driven by the factors mentioned above. Without a general rate increase now, and with the additional capital investments made by the Company, coupled with increases in operation and maintenance costs associated with the capital investments, the Company will not have the opportunity to earn its authorized rate of return.

12. Net power costs consist of fuel, net wholesale transactions (purchases from and sales to other utilities and power marketers) and wheeling costs, which in total represent approximately 26 percent of the Utah revenue requirement in the Application. While some net power components, such as wind integration costs, have increased, net power costs, however, are not a significant driver of this case. While net power costs are not a significant driver in this case, the volatility in the natural gas and wholesale power markets has produced a riskier environment for all participants in the wholesale energy markets, including regulated utilities.

Rate Spread

13. The Company is proposing to allocate the revenue increase to customer classes based upon the cost of service study included in the Application. The proposed rate spread is designed to reflect cost of service results while balancing the impact of the

rate change across customer classes.

14. The table below summarizes the proposed rate schedule changes for each listed customer class.

<b>Customer Class</b>	<b>Proposed Percentage Change from Rates In Effect on date of Application</b>
<b>Residential</b>	4.0%
<b>General Service</b>	
Schedule 6	5.0%
Schedule 8	6.0%
Schedule 9	6.0%
Schedule 23	5.0%
<b>Irrigation</b>	6.0%

*Rate Design*

15. In addition to the schedule changes in the rate categories set forth above, Rocky Mountain Power is also proposing to increase the current Customer Charge from \$3.00 per month to \$5.70 per month. The Company is proposing no substantive changes to the residential energy charges or energy charge structure. The Company also proposes to eliminate the minimum bill for single phase residential customers.

16. The proposed changes to residential rates will improve recovery of fixed costs, reduce revenue volatility, and minimize subsidization within the residential customer class.

*Witnesses – Prefiled Written Testimony*

17. The Application and the requests made herein are supported by the prefiled written direct testimony and exhibits of the following witnesses, all of which are submitted as attachments to the Application:

- **A. Richard Walje**, President, Rocky Mountain Power, will provide an overview of the Company's 2009 general rate case filing and policy considerations related to the Application. He will also explain the Company's proposed increase in electric utility rates in the amount of \$66.9 million.

- **A. Robert Lasich**, President, PacifiCorp Energy, will provide investment information on and prudence justification for the Company's new generation resources acquisitions and environmental facility upgrades, including the increased generation-related overhaul and maintenance expenses for the test period.

- **Bruce N. Williams**, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure.

- **Dr. Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's return on equity. He will also describe the risks that Rocky Mountain Power faces and why the Commission should authorize a return on equity that will account for the these risks and challenges.

- **Dr. Peter C. Eelkema**, Lead/Senior Consultant, Load and Revenue Forecasting, will testify on the changing loads and revenues in Utah. He will also provide a view of future system growth in Utah relative to the other states.

- **Scott D. Thornton**, Manager-Metered Data Management, Metering Business, will provide an overview of load research in general, load research processes insofar as they apply to the development of class loads, and the processes surrounding the development of load estimates used in the Company's rate filing

- **Gregory N. Duvall**, Director, Long Range Planning and Net Power Costs, will describe the Company's net power costs. Mr. Duvall will also explain the

Company's production cost model and normalization of input data.

- **Kenneth M. Shortt**, Director of Capital Investment, will explain the Company's capital investments in transmission and distribution facilities to serve growing customer loads and deliver reliable power in Utah.

- **Erich D. Wilson**, Director, Human Resources, will describe the Company's compensation and benefit plans and, in particular, will explain the Company's incentive and base compensation, retirement and healthcare costs.

- **Steven R. McDougal**, Director, Revenue Requirement, will present the Company's overall revenue requirement based on the forecasted results of operations for the test year. He will describe the sources of the forecast data and present certain normalizing adjustments related to revenue, operations and maintenance expense, net power costs, depreciation and amortization, taxes and rate base.

- **C. Craig Paice**, Regulatory Consultant, Pricing and Cost of Service, will present the Company's class cost of service study.

- **William R. Griffith**, Director, Pricing, Cost of Service, and Regulatory Operations, will present the Company's rate spread and rate design proposals.



WHEREFORE, by this Application, Rocky Mountain Power respectfully requests that the Commission:

1. Authorize an increase in the Company's retail electric utility service rate in an amount of \$66.9 million.
2. Approve the Company's proposed electric service schedules and electric service regulations.

DATED this 23<sup>rd</sup> day of June 2009.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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