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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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	Response of the Division of Public Utilities to the Motion of UIEC to Bifurcate the Rate Case Docket No. 08-035-23
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The following is a response by the Division of Public Utilities (Division or DPU) to the Motion by the Utah Industrial Energy Consumers (UIEC) to bifurcate the rate spread and rate design portion of the rate case from the revenue requirement phase:

1. On July 8, 2009, UIEC filed a Motion to bifurcate the rate design and rate spread portions of the rate case from the revenue requirement phase in this Rocky Mountain Power (RMP or Company) case. UIEC does not specify how long it wishes to delay the rate spread and rate design portions of the rate case, but, it appears that UIEC's request would be lengthy. The DPU generally opposes any extended delay in obtaining a decision on the rate spread and rate design portions of this rate case. UIEC claims (p.4) that the Company is not harmed by any delay since it can implement an increase. However, customers also have a vested interest in having both a just and reasonable allocation of costs between classes and a just and reasonable rate design. Extended delays in hearing rate spread and rate design might make the Company whole but would not ensure just

and reasonable rates for customers nor would it ensure that any needed rate design issues are in effect before the summer of 2010. The scheduling conference held on July 14 resulted in a proposed schedule that will allow the rate spread and rate design portions of the rate case to be heard in early January 2010. The 240-day statutory period calling for a revenue requirement decision from the Commission ends in mid-February. If the Commission decides to bifurcate the case, the Division would not support any bifurcation that would delay implementation of rate design and rate spread past late spring of 2010. Therefore, the DPU would not oppose a short delay in the hearings (at most a couple of months). It appears UIEC's request is for an unknown period of time, but clearly longer than a couple of months.

2. UIEC provides three main reasons to bifurcate this case. These are: (1) if a PCAM is adopted it might require changes in rate schedules to account for recovery of costs through a PCAM (paragraph 4); (2) the cost of service and rate design case should be put off to allow the Company to update its cost of service model which UIEC claims is flawed (paragraph 5); (3) delay the case to allow the use of new load sampling data that the Company is gathering that at the earliest would not be available until the end of this year (paragraph 6). The Division will address each of these issues.
3. UIEC's first argument for bifurcation claims that adoption of a PCAM will necessitate a change in general rates. Adoption of a PCAM will not affect cost of service results at all. Adoption of a PCAM may require collection of the classes' costs of service through both general rates and a rider. If the rider is not placed into effect at the conclusion of the general rate case, it could cause a second adjustment in customer's bills, but will not affect the allocation of costs to the various rate schedules upon which general rates have been set. The statute requires this type of mechanism to occur at the conclusion of a rate

case. If it cannot be implemented at the conclusion of a rate case, those implications will have to be addressed at that time. It is the DPU's view that the possibility of a PCAM does not justify any bifurcation of this case.

4. The second reason given by UIEC to bifurcate the docket relates to the working group review of the cost of service study and UIEC's claims that the study is seriously flawed. UIEC refers to recent comments made by Commission staff regarding the cost of service study. The working group was not created to file a report or otherwise mandate any changes in the cost of service study. Flaws that may exist in the study have been discussed and are available to any party to address the relevance of those flaws to the usefulness of the results or to request the Commission to order changes in the study. This includes the discussion of issues by the Commission staff. If a party believes the study is so flawed that the results cannot be relied on, they can present that to the Commission and ask the Commission to implement the rate increase in some other way than proposed by the Company. However, that does not seem to justify a bifurcation for some unknown length of time. Moreover, the stipulation that created the working group specified that there were to be "at least three substantive work group meetings within 90 days of the approval of this stipulation" (Stipulation in Cost of Service and Rate Spread Phase II at page 5). Thus, the work group should have completed its work in early August of 2009.
5. The final reason given by UIEC for a bifurcation relates to the efforts by the Company to obtain more current load sampling data. UIEC asserts that a complete year of that data will not be available until the end of this year. It is the Division's understanding that although the load research data is current, certain methodological changes have occurred. The current base year has nine months of data at the old collection methodology and three months of data at the new collection methodology. It is not clear to the Division

when the data using the new collection methodology will be available for more than the three months. Nor is it clear to the Division that the new methodology that is available for only three months makes it unreasonable to base decisions at this time. That is a question that cannot be answered in a Motion but only at a hearing. The DPU does not object to a short bifurcation to allow for the possibility of more load research data.

However, waiting for a full year of new data, which would be available at the end of the 2009 at the earliest, would likely necessitate delaying the decision on rate design well past the time to implement rates for the summer of 2010.

6. In conclusion, the DPU generally does not support the reasoning given by UIEC in support of bifurcation. However, should the Commission choose to bifurcate, it should not be so long as to prevent a rate design order being issued by the Commission in advance of the summer of 2010. This would allow any benefits of rate design to be in effect by next summer and also would minimize the time during which customer classes could be paying a disproportionate share of costs.

Respectfully submitted this _____ day of July, 2009.

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Response of the Division of Public Utilities to the Motion of UIEC to Bifurcate the Rate Case was sent by electronic mail, postage prepaid, to the following on July _____, 2009:

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