

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Populus to Ben Lomond Transmission Line and the Dunlap I Wind Project

Docket No. 10-035-89

SETTLEMENT STIPULATION

Rocky Mountain Power (“Rocky Mountain Power” or the “Company”), the Division of Public Utilities (“Division”), the Office of Consumer Services (“Office”), the parties known as the UAE Intervention Group (“UAE”), and the parties known as the Utah Industrial Energy Consumers (“UIEC”) (collectively, “Parties”), pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, hereby request that the Public Service Commission of Utah (“Commission”) enter an order approving this Settlement Stipulation (“Stipulation”). The Parties are authorized to represent that no party to this docket opposes this Stipulation.

BACKGROUND

1. On August 3, 2010, pursuant to Utah Code Ann. § 54-7-13.4, Rocky Mountain Power filed with the Commission an application (“MPA II Application”) in Docket 10-035-89 (“MPA II Docket”) for alternative cost recovery for major plant additions related to the Populus to Ben Lomond transmission line and the Dunlap I wind project (“MPA II Projects”).

2. In the MPA II Application, Rocky Mountain Power requested authorization to recover costs through customer rates beginning on or about January 1, 2011, in the amount of approximately \$38.99 million for the MPA II Projects.

3. In the MPA II Application, Rocky Mountain Power also requested authorization to recover costs through customer rates beginning on or about January 1, 2011, in the amount of

approximately \$30.80 million for the Ben Lomond to Terminal transmission line and the Dave Johnston Generation Unit 3 environmental improvement measures (“MPA I Projects”), consistent with the Commission’s Report and Order in Docket No. 10-035-13, dated June 15, 2010 (“MPA I Order”).

4. In addition, in the MPA II Application, Rocky Mountain Power requested authorization to stop deferring the MPA I Deferred Balance on or about December 31, 2010, at which time, said balance will be approximately \$15.72 million, and to begin collection of the MPA I Deferred Balance and on-going carrying charges beginning January 1, 2011.

5. The Parties other than the Company filed direct testimony of 10 witnesses October 26, 2010 proposing adjustments to and raising issues regarding the relief sought in the MPA II Application.

6. The Parties have engaged in settlement discussions as a consequence of which, the Parties have agreed to the terms and conditions set forth in this Stipulation.

STIPULATION

Specific Terms and Conditions

Revenue Requirement

7. The Parties agree, for purposes of settlement and for this case only, that:

a. The Commission should enter an order pursuant to Utah Code Ann. § 54-7-13.4(4)(a)(ii), approving cost recovery of the MPA II Projects and the MPA I Projects, as specified herein;

b. The Commission’s Order should determine, pursuant to Utah Code Ann. § 54-7-13.4(4)(b)(i), that Utah’s share of the projected net revenue requirement impact of

the MPA II Projects, including prudently-incurred capital costs and other reasonably projected costs, savings, and benefits, is \$33.29 million annually;

c. Utah’s share of the projected net revenue requirement impact of the MPA II Projects was derived by the Parties as follows:

Utah MPA II Settlement Proposal (\$)	
<u>Adjustments to Filing</u>	Company Offer
Proposed Rate Increase in Filing	\$38.99
Bonus Depreciation on MPA II Projects	(\$5.57)
Dunlap I	
Remove contingency not used in project cost	(\$0.09)
Interconnection Update	(\$0.02)
REC Revenues - will be trued up to actual	\$0.00
Populus Line	
Firm Wheeling	(\$0.03)
Revenue Requirement Adjustments	(\$5.70)
Proposed Rate Increase	\$33.29

d. On September 27, 2010, the Small Business Jobs Act of 2010 was signed into law, extending 50 percent bonus depreciation for tax purposes related to qualifying assets. Bonus depreciation can now be recognized for qualifying assets placed into service during calendar year 2010. Income taxes for the MPA II Projects in this case are fully normalized, but revenue requirement is impacted because the bonus depreciation will create a larger accumulated deferred income tax balance (a rate base reduction) in the initial years of these projects’ lives than was included in the Company’s original filing. Incorporation of this impact into the case reduces the requested price increase by approximately \$5.57 million (\$4.05 million for Populus to Ben Lomond and \$1.52

million for Dunlap I). This Stipulation addresses only the bonus depreciation for the MPA II Projects.

Renewable Energy Credit (“REC”) Revenue

8. The Parties agree that Utah’s share of REC revenue at January 1, 2011 that is included in rates from the 2009 General Rate Case, Docket No. 09-035-23 (“2009 GRC”) is \$9.90 million, which does not include the Dunlap I REC revenues of \$0.76 million (Utah’s share) that will be separately included in rates from this MPA II Docket through Schedule 40. The Parties further agree that Utah’s share of REC revenues in excess of \$10.66 million (\$9.90m + \$0.76m) will continue to be deferred on and after January 1, 2011 in the Deferred REC Balancing Account established by Commission Order (“Deferred REC Balancing Account”) in Docket 10-035-14 (“REC Order”).

9. The Parties agree that a \$3.0 million monthly customer sur-credit (“Sur-credit”) as reflected in Schedule 98, should be established January 1, 2011, representing incremental REC revenues not currently reflected in Utah rates based on 2011 Company projections. Schedule 98 is designed to achieve the Sur-credit on an average monthly basis; however the actual amount of Sur-credit realized by customers will be booked against the Deferred REC Balancing Account and may vary from the \$3.0 million per month based on customer usage. Schedule 98 is subject to continuance, discontinuance or adjustment as directed in a future Commission order determining the appropriate ratemaking treatment of the Deferred REC Balancing Account. Schedule 98 will otherwise terminate upon the effective date of new rates set in the next Rocky Mountain Power general rate case, subject to the conditions contained in this Stipulation.

10. In light of this Stipulation, UAE hereby withdraws its request that the Commission determine in this docket the appropriate ratemaking treatment of any balance in the

Deferred REC Balancing Account. The Parties further stipulate and agree that this Stipulation renders moot the Company's motion in this docket to strike portions of the testimony of UAE witness Kevin Higgins ("Motion") and therefore, the Parties request that (a) they be excused from filing responses thereto, and (b) the Commission take no action upon the Motion. The Parties agree, however, that no Party is conceding any position or argument with respect to said Motion.

11. The Parties agree that the final disposition and ratemaking treatment of any balance in the Deferred REC Balancing Account should be resolved in another appropriate docket. However, no agreement has been reached on which docket is most appropriate for that purpose. The Parties continue to support prompt resolution of this issue and one or more of the Parties may petition the Commission requesting resolution of this issue at any time.

12. If, prior to the effective date of the next general rate case, the Commission determines in a future order that all or any portion of the Deferred REC Balancing Account should not be credited to customers, including any portion subjected to a dead-band or sharing mechanism, the Deferred REC Balancing Account shall be adjusted to reflect the Commission's decision subject to the following conditions:

- a. The Parties agree that projected Dunlap I REC revenues of \$0.76 million in the MPA II Docket revenue requirement will be trued-up to actual REC revenues properly attributable to Dunlap I and the difference will remain in the Deferred REC Balancing Account for future true-up and return to or collection from customers. A carrying charge will continue to be applied to the Deferred REC Balancing Account as set forth in the REC Order.

b. The Parties agree that Dunlap I incremental REC revenues not reflected in Schedule 40 will not be subject to any dead-bands or sharing mechanisms during the period January 1, 2011 until rates are reset in the Company's next general rate case.

c. One or more of the Parties may petition the Commission requesting a review of the methodology used to calculate actual Dunlap I REC sales and final determination of the amount of incremental Dunlap I REC revenues that should remain in the Deferred REC Balancing Account.

d. One or more of the Parties may petition the Commission requesting appropriate modifications to Schedule 98 to implement the Commission order, which may include collection of a balance in the Deferred REC Balancing Account owed to the ratepayers or to the Company.

Rate Spread and Rate Design

13. The Parties agree that the \$30.80 million stipulated net revenue requirement from MPA I Docket plus the \$33.29 million stipulated net revenue requirement from MPA II Docket will be spread among customer classes as shown in Exhibit 1 and collected through Schedule 40, as reflected in the prices shown in Exhibit 2. Schedule 40 will begin January 1, 2011 and will terminate upon the effective date of new rates set in the next Rocky Mountain Power general rate case that incorporate the revenue requirement related to MPA I Docket and MPA II Docket. Upon the termination of Schedule 40, actual Schedule 40 revenues billed to customers will be compared to \$5.34 million $((\$30.80 \text{ million} + \$33.29 \text{ million})/12)$ per month times the number of months, including fractions thereof, Schedule 40 has been in effect. Any over collection will be refunded to customers or any under collection will be collected from customers through a sur-credit or sur-charge in a subsequent month or months.

~~13.14.~~ The Parties agree that the \$3.0 million monthly REC Sur-credit will be spread among customer classes as shown in Exhibit 1, attached hereto, and credited to customers through a new Schedule 98, as reflected in the prices shown in Exhibit 2.

~~13.15.~~ The Parties agree that the deferred revenue from the MPA I Docket in the amount of \$15.72 million will be collected from customers beginning January 1, 2011, over a period of approximately eight months. Parties further agree that the deferred revenue from MPA I Docket will be spread among customer classes as shown in Exhibit 1 and collected through Schedule 97, as reflected in prices shown in Exhibit 2 to achieve the collection of the \$15.72 million. Schedule 97 will terminate when the deferred revenue from MPA I Docket plus carrying charges has been collected from customers.

Base Net Power Costs

16. The Parties agree that a total Company base net power cost amount of \$994.21m should be established upon Commission approval of the Stipulation as the basis for the in-rates level of net power costs beginning January 1, 2011, for purposes of any energy cost adjustment mechanism (“ECAM”) adjustment measurements. The following schedule reflects the level of base net power costs in rates by month for any ECAM measurement:

	Dollars	MWh	\$/MWh
January	73,040,669	5,227,809	13.97
February	72,129,571	4,701,939	15.34
March	71,083,020	4,747,272	14.97
April	77,064,993	4,508,612	17.09
May	78,917,495	4,573,831	17.25
June	83,002,560	4,849,122	17.12
July	109,937,437	5,316,123	20.68
August	115,097,206	5,265,574	21.86
September	94,511,149	4,661,261	20.28
October	73,157,862	4,510,209	16.22
November	71,054,730	4,650,023	15.28
December	75,210,210	5,224,676	14.40
	994,206,903	58,236,451	17.07

Other Terms

17. The Parties stipulate that, unless expressly resolved or required by this Stipulation, no party shall be deemed to have waived, compromised or limited any arguments, positions, rights, remedies, or obligations available to it arising out of, or relating to, matters previously determined by, now pending before, or that may be filed with the Commission or any Utah administrative or judicial actions, including the right to conduct discovery, offer evidence and present positions and arguments. This Stipulation does not resolve any disputed issues currently before the Commission in any other docket, including Docket 09-035-15 (ECAM Docket) and Docket 10-035-14 (“REC Docket”).

18. The Parties agree that cost recovery for the MPA II Projects in the amount of \$33.29 million reflects Utah’s share of the projected net revenue requirement impact of the MPA II Projects, including prudently-incurred capital costs and other reasonably projected costs, savings, and benefits.

19. The Parties agree that this Stipulation and a Commission Order entered in accordance with this Stipulation do not preclude any party from advocating in a future

proceeding that the share of costs that should be paid by Utah ratepayers for the MPA II Projects should be different. Furthermore, the Parties agree that all discovery in this MPA II Docket relating to the Populus to Ben Lomond transmission line may be used and relied upon by them in any such future proceedings without the need for further data requests, provided that confidential information will otherwise remain subject to Utah Admin. Code R746-100-16.

General Terms and Conditions

20. Not all Parties agree that each aspect of the adjustments to the Company's MPA II Application necessary to arrive at this Stipulation is warranted or supportable in isolation. Utah Code Ann. § 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Parties are not able to agree on each specific component of the adjustments that resulted in this Stipulation, all of the Parties agree that the rate change proposed by this Stipulation is just and reasonable in result and in the public interest.

21. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation for purposes of this docket only, in accordance with Utah Admin. Code R746-100-10.F.5, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

22. The Parties request that the Commission hold a hearing on this Stipulation. Rocky Mountain Power, the Division, and the Office each will, and other Parties may, make one or

more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission's approval of this Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

23. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of this Stipulation. As applied to the Division and the Office, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.

24. Except with regard to the obligations of the Parties under the three immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the

Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

25. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

26. The Parties agree and request that all pre-filed testimony in this MPA II Docket be entered into the record in support of the Stipulation.

RELIEF REQUESTED

27. Based on the foregoing, the Parties request that the Commission schedule a hearing on this Stipulation and, thereafter, enter an order approving the terms and conditions set forth in this Stipulation.

RESPECTFULLY SUBMITTED: November __, 2010.

Mark C. Moench
Yvonne R. Hogle
Rocky Mountain Power

Attorneys for Rocky Mountain Power

Patricia E. Schmid
Assistant Attorney General

Attorney for Division of Public Utilities

Paul H. Proctor
Assistant Attorney General

Attorney for Office of Consumer Services

Gary A. Dodge
Hatch James & Dodge

*Attorneys for Utah Association of Energy
Users*

F. Robert Reeder
William J. Evans
Parsons, Behle & Latimer

*Attorneys for Utah Industrial Energy
Consumers*

CERTIFICATE OF SERVICE

I hereby certify that on November __, 2010, I caused to be emailed a true and correct copy of the foregoing **SETTLEMENT STIPULATION** to the following:

Patricia Schmid
Assistant Attorney General
Heber M. Wells Bldg., Fifth Floor
160 East 300 South
Salt Lake City, UT 84111
pschmid@utah.gov

Paul Proctor
Assistant Attorney General
Utah Office of Consumer Services
Heber M. Wells Bldg., Fifth Floor
160 East 300 South
Salt Lake City, UT 84111
pproctor@utah.gov

Dennis Miller
William Powell
Philip Powlick
Division of Public Utilities
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111
dennismiller@utah.gov
wpowell@utah.gov
philippowlick@utah.gov

Cheryl Murray
Dan Gimble
Michele Beck
Office of Consumer Services
Heber M. Wells Building, 2nd Floor
160 East 300 South
Salt Lake City, UT 84111
cmurray@utah.gov
dgimble@utah.gov
mbeck@utah.gov

F. Robert Reeder
William J. Evans
Vicki M. Baldwin
Parsons Behle &, Latimer
201 South Main Street, Suite 1800
Salt Lake City, UT 84111
bobreeder@parsonsbehle.com
bevans@parsonsbehle.com
vbaldwin@parsonsbehle.com

Kevin Higgins
Neal Townsend
Energy Strategies, Inc.
39 Market Street, Suite 200
Salt Lake City, UT 84101
khiggins@energystrat.com
ntownsend@energystrat.com

Gary A. Dodge
Hatch James & Dodge
10 West Broadway, Suite 400
Salt Lake City, UT 84101
gdodge@hjdllaw.com

Eric J. Lacey
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
800 West Tower
Washington, D.C. 20007
pjm@bbrslaw.com
elacey@bbrslaw.com

Sophie Hayes
Utah Clean Energy
1014 2nd Avenue
Salt Lake City, UT 84103
sophie@utahcleanenergy.org