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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. 11-035-200	)
	)	<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 \$172.3 million, or 9.7 percent, and approval of its proposed electric service schedules and electric service regulations to become effective October 12, 2012 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 830,000 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  
Salt Lake City, Utah 84111  
E-mail: [dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com)

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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 complies with the minimum filing standard and requirements established by the Commission in Utah Admin. Code R746-700-10 through R746-700-23 - for a general rate case filing. Attachment 1 to the Application lists each filing requirement and the location of the responsive information which can be found in Attachment 1, in the testimony or within folders saved on the enclosed CDs.

5. The Application includes only those elements of the revenue increase request necessary to maintain and provide safe and reliable service to the Company's customers at a level they deserve.

6. 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

\$172.3 million. Rocky Mountain Power's request is based upon a forecast test year ending May 2013 ("Test Period"), using a 13 month average rate base with a historical base period of twelve months ending June 30, 2011, and a return on equity ("ROE") of 10.2 percent.

7. On December 15, 2011, the Company filed with the Commission a Notice of Intent to File a Rate Case, requesting that the Commission approve the Company's proposed Test Period in its next general rate case, based on the stipulation reached among the signing parties in the 2011 Utah general rate case, Docket 10-035-124 ("2011 General Rate Case"). In the stipulation, the signing parties agreed that they would not oppose the use of a forecast test period that ended no later than fifteen months from the end of the month in which the Company filed its next rate case application, using a 13 month average rate base. The Test Period in this case meets such parameters, and no party opposed it. The Commission subsequently issued an order January 19, 2012 approving the Test Period, noting the stipulation and the fact that no one opposed the Company's use of the Test Period.

8. Based on the Utah-allocated adjusted results of operations for the Test Period, the Company is far from achieving its authorized ROE of 10.0 percent. The Company's Utah results of operations through June 2011 indicate the Company has only achieved a ROE of 8.08 percent. The revenue increase for which approval is requested is based, in part, on a ROE of 10.2 percent as recommended by Dr. Samuel C. Hadaway. Dr. Hadaway's recommendation is based on his analysis, specifically described in his testimony, that an ROE of 10.2 percent accurately reflects recent market circumstances, interest rates, and reasonable investor expectations. An overall price increase of \$172.3

million would be required to produce the 10.2 percent ROE under the approved 2010 Protocol allocation method, described in the Agreement Pertaining to PacifiCorp's September 15, 2010 Application for Approval of Amendments to Revised Protocol Allocation Methodology filed with the Commission on June 27, 2011, under Docket No. 02-035-04 and approved by the Commission at a hearing held November 8, 2011.

Primary Cost Drivers

9. The Company's requested increase in rates is driven by several drivers. First, the Company was required to undertake capital investments and environmental projects to meet the Company's obligation to serve and its regulatory mandates. Among the capital investments made by the Company are transmission reliability projects, highway relocations and mobile radio replacement projects. The environmental projects that were fully described and previously found prudent in the 2011 General Rate Case are included in this case as fully annualized projects.

10. Load growth continues to drive the need for capital investment. Growth is still occurring, albeit at a slower than expected pace, and the forward looking economic outlook indicates Utah is growing faster than other states. To deliver reliable, safe service, Rocky Mountain Power must increase its rates to cover the planned investments needed to keep the system reliable, and to cover costs of providing service to customers.

11. This case includes an increase of approximately \$37<sup>1</sup> million to support the capital projects the Company is in the process of making or will make between June 30, 2012 and May 31, 2013. Much of this capital investment was made for required

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<sup>1</sup> In the Settlement Stipulation (Stipulation) in the 2011 General Rate Case, Docket No. 10-035-124, not all components of the revenue requirement were specifically agreed upon or identified, as set forth in paragraph 42 of the Stipulation. Therefore, the amount associated with each driver of the rate increase referenced in my testimony is based upon the Company's calculations.

power plant emission controls, transmission reliability, highway relocations and projects such as the mobile radio replacement project required by the Federal Communications Commission.

12. Second, investments in the capital and environmental projects have associated operation and maintenance expenses related to them that are also drivers of the rate increase request. These related operation and maintenance costs account for approximately \$30 million of the increase. Included among the operation and maintenance costs are cost increases (a) related to supplies for reagent chemicals needed to operate the environmental projects and (b) to maintain wind turbine facilities.

13. A third driver of the rate increase request is Net Power Costs (“NPC”). Although the level of the increase in NPC in this case is significantly lower than it has been historically, approximately \$16 million of the rate increase request is directly attributed to increased NPC.

14. Fourth, retail load forecasts are lower than projected in the 2011 General Rate Case, even though Utah’s economy is stronger than most and is recovering. Because retail demand is less robust than was previously anticipated, the Company’s fixed costs are being spread over fewer purchased kWh. Approximately \$47 million of the requested rate increase is related to the lower retail load growth projections.

15. Finally, lower than expected revenues from the sale of Renewable Energy Credits (“REC”) is also a driver for the rate increase request. Recently, REC revenues have provided a substantial offset to the costs the Company’s retail customers incur for electricity. The level of REC revenues included in the Company’s current rates reflects REC sales the Company made at very favorable prices for the benefit of its customers.

The market for REC sales has seen a significant weakening both in price and quantity. Accordingly, approximately \$26 million of the requested increase is attributed to the weakened condition of the REC sale market.

Rate Spread

16. 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.

17. 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 the date of Application</b>
<b>Residential</b>	10.5%
<b>General Service</b>	
Schedule 6	8.5%
Schedule 8	9.5%
Schedule 9	12.5%
Schedule 23	8.5%
<b>Irrigation</b>	13.5%

Rate Design

18. To achieve the schedule changes in the rate categories set forth above, Rocky Mountain Power proposes to uniformly increase demand and energy charges and to increase the Customer Charge for Schedules 6, 8, 9, 23, and irrigation customers.

19. Rocky Mountain Power is also proposing to increase the current residential Customer Charge by \$6.00 per month to \$10.00 per month. The Company further proposes to eliminate the minimum bill.

20. The current Customer Charge fails to recover the related fixed costs of serving residential customers, including the cost of meters, service drops, poles and conductors, transformers, and retail service. The proposed changes to residential rates will improve recovery of fixed costs, reduce revenue volatility, and minimize subsidization within the residential customer class.

Billing Determinants

21. The testimony of William R. Griffith contains a summary of present and proposed prices along with the billing determinants used in preparing the pricing proposals in the case.

Witnesses – Prefiled Written Testimony

22. 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 2012 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 \$172.3 million.

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



- **Bruce N. Williams**, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure including the Company's overall return on rate base of 7.91 percent requested in this case.

- **Dr. Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's return on equity.

- **Dr. Peter C. Eelkema**, Senior Consultant, Load and Revenue Forecasting, will testify on the forecast test period loads and sales in Utah. He will explain how he computed Utah sales during the Test Period in this case and how this forecast compares to historical results and the time period used in the 2011 General Rate Case upon which existing rates are based.

- **Gregory N. Duvall**, Director, Long Range Planning and Net Power Costs, will describe the Company's total NPC and the influences that are driving up total NPC beyond the level recently approved in the 2011 General Rate Case.

- **Cindy A. Crane**, Vice President of Inter-West Mining, will specifically address the issue of rising coal costs and the cost drivers associated with fuel.

- **Stefan A. Bird**, Senior Vice President, Commercial and Trading, PacifiCorp Energy, will provide testimony describing the reduction in REC revenues.

- **Dana M. Ralston**, Vice President of Thermal Generation, will testify on the operations and maintenance expenses related to the thermal generation fleet.

- **Mark R. Tallman**, Vice President of Renewable Resources, will testify on the operations and maintenance expenses related to hydroelectric and wind generation facilities and two additions to hydro generation plant.

- **Darrell T. Gerrard**, Vice President Transmission Planning, will testify on capital investments in the Company's main grid transmission system.

- **Douglas N. Bennion**, Vice President, Engineering Services and Capital Investment, will explain the Company's capital investments in transmission and distribution facilities to serve customer loads and deliver reliable power in Utah.

- **Andrea L. Kelly**, Vice President, Regulation, will testify on the relicensing of the Klamath hydro project and the Klamath Hydro Settlement Agreement.

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

- **Scott D. Thornton**, Manager, Metered Data Management, will provide an overview of load research and the processes surrounding the development of load estimates used in this filing.

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

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

- **Jeffrey M. Kent**, Director Distribution, will present a proposed reduction to the Company's pole attachment rate.

**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 \$172.3 million.

2. Approve the Company's proposed electric service schedules.

DATED this 15th day of February, 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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