



- 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)	<u>DOCKET NO. 10-035-124</u>
)	
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>
)	
In the Matter of the Application of the Utah Association of Energy Users for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment)	<u>DOCKET NO. 10-035-14</u>
)	
In the Matter of the Application of the Utah Industrial Energy Consumers for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment)	<u>DOCKET NO. 11-035-46</u>
)	
In the Matter of the Application of the Utah Office of Consumer Services for a Deferred Accounting Order Directing Rocky Mountain Power to Defer all Bonus Depreciation Allowed for 2010 through 2011 by the Small Business Jobs Act as Amended)	<u>DOCKET NO. 11-035-47</u>
)	<u>REPORT AND ORDER</u>

ISSUED: September 13, 2011

<p>SHORT TITLE</p> <p>Rocky Mountain Power 2011 General Rate Case</p>
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SYNOPSIS

The Commission approves two stipulations which together resolve five separate dockets for Rocky Mountain Power. One stipulation addresses the revenue increase in the general rate case, and the alternative ratemaking treatment given to net power cost, wheeling revenue, and renewable energy credit ("REC") revenue. The other stipulation addresses the spread of the revenue changes to rate schedules and changes in rates.

The Commission approves an increase in Rocky Mountain Power's Utah jurisdictional annual revenue requirement of \$117.0 million based on a forecast test period of 12 months ending June 30, 2012, and an allowed rate of return on equity of 10.0 percent. This is a 6.9 percent increase in Rocky Mountain Power's forecast of general business revenue in Utah.

Approximately 39 percent of the revenue increase will be collected from residential customers, 40 percent from commercial customers, and 20 percent from industrial customers. For residential customers taking single phase service, the monthly customer charge increases from \$3.75 to \$4.00, and the monthly minimum bill, from \$3.78 to \$7.00. Except for these changes and the residential time-of-day rate design change, the revenue increase will be applied on an equal percentage basis to all rate elements of all service schedules receiving a rate increase. Service on Schedule 25 for mobile home and house trailer park service is closed and remaining customers will be moved to appropriate service schedules.

The Commission modifies its prior order in Docket No. 09-035-15 by allowing certain prudent financial swap transactions to be included in the energy balancing account per the terms of the Settlement Stipulation. The monthly average costs in the energy balancing account are based on a forecast annual Utah jurisdictional net power cost of \$629.1 million and \$30.5 million annual Utah jurisdictional wheeling revenue. A revenue increase of \$60 million for deferred net power costs is approved. This amount will be recovered from customers through an annual \$20.0 million surcharge over three years beginning June 1, 2012.

The Commission approves a renewable energy credit ("REC") revenue balancing account beginning September 21, 2011, to recognize the difference between the forecast of REC revenue in rates and the REC revenue actually received by the Company. On an annual basis, 100 percent of the difference will be credited or charged to customers through Schedule 98. Rates effective September 21, 2011, are based on a forecast of \$50.9 million in Utah jurisdictional REC revenue. Ratemaking treatment of this account balance will coincide with that of the energy balancing account approved in Docket No. 09-035-15.

Addressing issues raised in Docket Nos. 10-035-14 and 11-035-46, the Commission approves a customer credit of \$33.6 million for the revenue deferred or projected to be deferred from February 22, 2010, through September 20, 2011, from incremental REC revenue. This credit will be in place from September 21, 2011, through May 31, 2012, and will be allocated and credited to customers generally on the basis of Factor 10 and implemented through Schedule 98. The impact of the credit to the Utah jurisdiction during this time period is to reduce the revenue increase from 6.9 percent to 4.0 percent.

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resulting from either agreement in the collaborative process or a Commission order. The Settlement Stipulation enumerates, without limitation, issues to be addressed in the collaborative process, including the agreement to address EBA implementation issues relating to the inclusion of financial swap transactions in the EBA. The Division will, and other Parties may, file informational reports with the Commission within six months of approval of the Settlement Stipulation. The Division will report on the results of the collaborative process and provide a description of any agreement reached and any remaining issues of disagreement.

Deferred Net Power Cost

For the various reasons stated in the Settlement Stipulation, the Parties agree the Company should be allowed to recover \$60.0 million in deferred net power cost from Utah customers. The Parties agree this amount should be recovered through an annual \$20.0 million surcharge over three years, without carrying charge, starting June 1, 2012. The Parties agree the surcharge shall be allocated to rate schedules based on the Cost-of-Service Stipulation.

Prudence of Investments

The Parties agree contentions raised by certain Parties in Docket No. 10-035-124 regarding the Company's investments in environmental controls and the Populus to Terminal transmission line are resolved by the Settlement Stipulation. For the purposes of settling this general rate case, the Parties agree, and recommend the Commission find, these investments are prudent. Further, the Parties agree the environmental controls included in this case are used and useful for this and future cases and the Populus to Terminal transmission line is currently used and useful in providing service to both retail customers and others. However, this compromise

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and possible findings, does not preclude any party from challenging the Populus to Terminal transmission line on used and useful grounds in any other pending docket not resolved by the Settlement Stipulation or any future rate proceeding, nor arguing the costs and revenues should be allocated differently.

The Parties also agree the contentions made in the general rate case challenging the Company's decision to terminate negotiations in December 2010 to acquire the Apex Plant through the Company's 2008 All Source Request for Proposals ("RFP") are resolved by the Settlement Stipulation and the Parties agree not to assert future claims regarding this decision. The Company commits to several RFP process improvements which are discussed in the Settlement Stipulation.

Klamath Postponement

For Docket No. 10-035-124 only, the Parties agree: a) the existing assets of the Klamath Hydroelectric Project will continue to be depreciated using previously approved depreciation schedules; b) issues related to the Klamath Hydroelectric Settlement Agreement raised by parties in this case will be postponed to a future proceeding; and c) relicensing and settlement process costs will be deferred and accrue a carrying charge and shall not be amortized or included in rate base unless ordered by the Commission in a future proceeding.

REC Revenue

The Parties agree a REC revenue balancing account ("RBA") should be established. The RBA will track the difference between REC revenue included in rates and Utah's allocation of the actual REC revenue received by the Company. On an annual basis, 100