

**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	DOCKET NO. 08-035-38 STIPULATION IN COST OF SERVICE, RATE SPREAD AND RATE DESIGN - PHASE II
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1. This Stipulation in the Rate Design Phase of Docket 08-035-38 (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties”).

I. INTRODUCTION

2a. The terms and conditions of this Stipulation are set forth herein. Subject to Paragraph 2b., the Parties represent that this Stipulation is in the public interest and recommend that the Utah Public Service Commission (the “Commission”) approve the Stipulation and all of its terms and conditions.

2b. Some of the Parties represent only the interests of specific customers, classes or entities and, consequently, in settlement discussions and in this Stipulation have considered the cost of service, rate spread and rate design proposals and the rate schedule impacts as it relates to such customers or interests. All Parties believe that this Stipulation is in the public interest, as it relates to the customers or interests that they represent, and that the rates applicable to any such customers or interests are just and reasonable. No Parties purport to make any representation as to the appropriateness of this Stipulation or the public interest as it relates to any interests that they do not represent.

II. BACKGROUND

3. On July 17, 2008, Rocky Mountain Power (“Rocky Mountain Power” or “Company”) filed an application, together with revenue requirement, cost of service, rate spread and rate design testimony, requesting approval of an increase in its retail electric utility service rates in Utah in the amount of \$160.6 million above the then-currently effective rates (without reference to revenue increases requested in the Company’s 2007 rate case (Docket No. 07-035-93)) for a total revenue requirement in the approximate amount of \$1.592 billion. On September 10, 2008, Rocky Mountain Power filed supplemental testimony to reflect the Commission’s revenue requirement order in Docket No. 07-035-93, adjust net power costs, introduce an amended cost of service study, and update the proposed rate spread.

4. On August 1, 2008, the Commission issued an order establishing the procedural schedule for this case. On August 26, 2008, September 29, 2008, and September 30, 2008, the Commission issued orders amending the schedule. On October 14, 2008, the Commission issued an additional scheduling order for the Revenue Requirement and Cost of Service/Rate Design portion of this case. On October 30, 2008 and November 6, 2008, the Commission issued orders modifying the Revenue Requirement and Cost of Service/Rate Design procedural schedule. On January 27, 2009, the Commission issued a scheduling order amending the schedule for the Rate Design/Cost of Service phase of this case.

5. On October 28, 2008, the Commission held a hearing on Rocky Mountain Power’s Motion to Determine Test Year wherein Rocky Mountain Power sought approval to use a test period ending June 2009. On October 30, 2009, the Commission

issued an order approving a test period ending December 2009, using average rate base. Rocky Mountain Power subsequently filed supplemental direct testimony and exhibits with the Commission on December 8, 2008, which included a revised revenue increase request of \$116.1 million, a cost of capital request of 8.69% and return on equity of 11.0% with a 51.5% common equity component.

6. On February 4 and 9, 2009, certain Parties held settlement conferences to discuss cost of capital issues in the 2008 General Rate Case.

7. As a result of the settlement negotiations, certain Parties reached a compromise on cost of capital at issue in this case. The settlement resulted in a return on equity of 10.61 percent and a capital structure with a 51.0 percent common equity component. The Commission held hearings on March 12, 2009 and approved the cost of capital stipulation from the bench.

8. On March 17 and 18, 2009, the certain parties held settlement conferences to discuss revenue requirement issues in the 2008 General Rate Case. On March 18, 2009, notice was provided to all intervenors advising all parties who filed revenue requirement testimony and others that the parties had reached an agreement in principle, and that a draft stipulation would be circulated. On March 19, 2009 a copy of the draft stipulation was circulated to all intervenors.

9. As a result of the settlement negotiations, certain parties agreed to the revenue requirement in this case. The settlement resulted in an increase in revenue requirement in the amount of \$45 million, or 3.34 percent, based on an allowed rate of return on equity of 10.61 percent and a capital structure with a 51.0 percent common

equity component. The Commission held hearings on March 31, 2009 and issued an order (“Order”) approving the revenue requirement stipulation on April 21, 2009.

10. On April 24, 2009, a notice of a settlement conference was provided to intervenors.

11. The Parties held a settlement conference on the cost of service and rate spread phase of the case on April 28, 2009. On April 29, 2009 a copy of a draft rate spread stipulation was circulated to intervenors.

12. As a result of the settlement negotiations, the Parties reached agreement on the rate spread in this case and submitted a stipulation dated April 30, 2009 (the “Rate Spread Stipulation”). The Commission held a hearing and issued an order approving the Rate Spread Stipulation on May 7, 2009.

13. Parties whose interests included Schedules 6, 8 and 9 developed a proposed rate design settlement for these schedules and presented it to the Company on May 12, 2009. Other Parties whose interests included residential rate design, developed a proposed rate design settlement and presented it to the Company on May 21, 2009.

14. On May 26, 2009, a notice of settlement conference was provided to the Parties and settlement conferences on all rate design issues in the case were held on May 27, 2009. On May 28, 2009, a copy of the draft stipulation was circulated to the intervenors in the case.

15. As a result of the settlement negotiations, the Parties agreed to settle the rate design phase of this case, pursuant to the terms and conditions set forth below.

III. TERMS OF STIPULATION.

Subject to Commission approval and for purposes of this Stipulation only, unless otherwise noted, the Parties agree as follows:

16. **Rate Design.** The Parties agree that the rate design stipulations reflected herein will be applied to the rate spread agreed to by the Parties in the Cost of Service/Rate Spread Stipulation dated April 30, 2009 and approved by the Commission on May 7, 2009 (“Rate Spread Stipulation”). The rate spread exhibit attached to the Rate Spread Stipulation is attached hereto as Exhibit A for purposes of convenience.

a. **Residential Schedules.** The Parties agree to increase the current customer charge for all residential schedules from \$2.00 to \$3.00 per month. The Parties further agree to a three-block energy charge in the five summer months, and a winter charge with rates as more specifically set forth below:

Rocky Mountain Power - State of Utah Schedule No. 1- Residential Service				
	T47 Present Price	T47 Effective Price *	T48 Proposed Price	% Change
Schedule No. 1- Residential Service				
Customer Charge	\$2.00	\$2.06	\$3.00	45.7%
First 400 kWh (May-Sept)	7.5389 ¢	7.7621 ¢	7.5292 ¢	-3.0%
Next 600 kWh (May-Sept)	8.5562 ¢	8.8095 ¢	8.9416 ¢	1.5%
All add'l kWh (May-Sept)	10.0779 ¢	10.3762 ¢	11.1216 ¢	7.2%
All kWh (Oct-Apr)	7.5389 ¢	7.7621 ¢	7.8009 ¢	0.5%
Minimum 1 Phase	\$3.67	\$3.78	\$3.78	
Minimum 3 Phase	\$11.01	\$11.34	\$11.34	
Minimum Seasonal	\$46.00	\$47.36	\$47.36	
Sch 97 Adjustment	2.96%			

* Includes effect of 2.96% Schedule 97 Tariff Rate Rider

b. Schedules 6, 8 and 9. The Parties agree that the applicable rate increase shown on Exhibit A, shall be applied on an equal percentage basis to all rate elements of Schedules 6, 8 and 9, subject to the rounding as reflected in Exhibit B.

c. Remaining Tariff Schedules. The Parties agree and recommend that the rate design for all the remaining tariff schedules included in Mr. William R. Griffith's third supplemental testimony, WRG-4TS, in this case be approved by the Commission as filed. The complete rate design for all schedules as stipulated herein is set forth in the attached Exhibit B.

d. Schedule 98. The Parties agree that Schedule 98, which sets forth the current rates, will be terminated following the Commission's final order approving the Rate Design Stipulation on the effective date of the rate schedules implemented pursuant thereto.

17. Schedule 3. The Company agrees to hold discussions with Parties concerning a proposal to increase the Schedule 3 low income lifeline credit by at least an amount equal to the increase in the residential customer charge stipulated herein. The Company agrees to file an application with the Commission for approval of such proposal within 60 days from the date the Commission issues an order approving this Stipulation, if approval is granted.

18. Schedule 8 Tariff Language Changes. The Parties agree that the section entitled "Application" in Electric Service Schedule No. 8 shall be amended to include the following provision after the end of the second sentence of said section: "A Customer who is transferred to this Schedule from a different Schedule for registering 1,000 kW or more at least twice in 18 months and who had never previously been served under this

Schedule will, upon request to the Company, be transferred back to Schedule 6 or another appropriate Schedule if the Customer's electric service load has not registered 1,000 kW or more at any time during the subsequent period of at least 18 consecutive months. The Company shall not be responsible for notifying the Customer that said Customer has satisfied the foregoing conditions for transfer to a different Schedule."

19. Schedule in Phase II Suspended. The Parties agree that the schedule in Phase II of this docket should be suspended, other than a hearing for approval of this Stipulation, and that all rate design elements and all other aspects of this case shall be deemed concluded upon entry of an order approving this Stipulation.

IV. GENERAL TERMS AND CONDITIONS

20. All negotiations related to this Stipulation are privileged and confidential and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting this Stipulation, nor the rate design proposed herein, shall be deemed to constitute an admission or acknowledgment by any Party of any liability, the validity or invalidity of any claim or defense, the validity or invalidity of any principle or practice, or the basis of an estoppel or waiver by any Party other than with respect to issues resolved by this Stipulation; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except a proceeding to enforce the approval or terms of this Stipulation.

21. The Parties respectfully request of the Commission that all of the prefiled testimony in this Docket be admitted into the record without witnesses being called or sworn at the proceeding. The Company, the Division and the Office each agree to make one or more witnesses available to explain and support this Stipulation to the

Commission. Such witnesses will be available for examination. So that the record in this Docket is complete, the Parties may move for admission of evidence, comments, position statements or exhibits that have been filed on the issues resolved by this Stipulation; however, notwithstanding the admission of such documents, the Parties shall support the Commission's approval of the Stipulation and the Commission order approving the Stipulation. As applied to the Division and the Office, the explanation and support shall be consistent with their statutory authority and responsibility.

22. 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 the Stipulation. As applied to the Division and 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.

23. Except with regard to the obligations of the Parties under the two 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 cross-examination of witnesses, with respect to issues addressed by the Stipulation and no Party shall be bound or prejudiced by the terms and conditions of the Stipulation.

24. The Parties may execute this Stipulation in counterparts each of which is deemed an original and all of which only constitute one original.

BASED ON THE FOREGOING, the Parties request that the Commission issue an order approving this Stipulation and adopting the terms and conditions of this Stipulation.

Respectfully submitted this 2ND day of June, 2009.

ROCKY MOUNTAIN POWER


Mark C. Moench
Senior Vice President & General Counsel

UTAH DIVISION OF PUBLIC UTILITIES

Michael Ginsberg
Patricia Schmid
Assistant Attorney General

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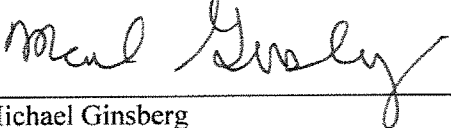
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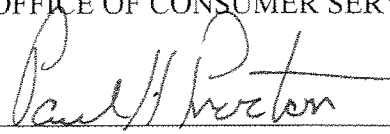
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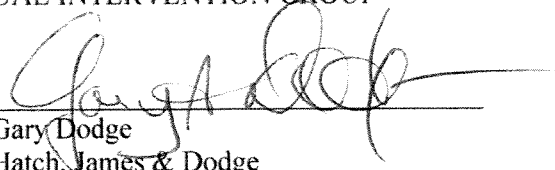
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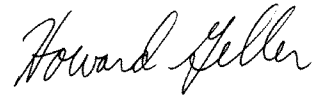
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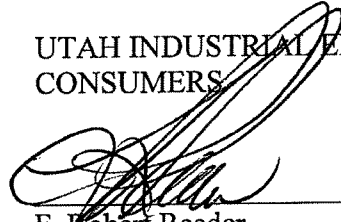
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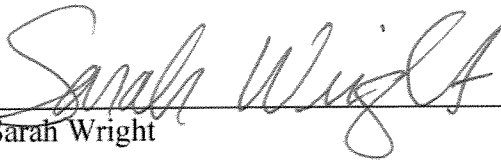


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