

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: SCOTT WOODBURY

DATE: JUNE 13, 2007

SUBJECT: CASE NO. PAC-E-07-05 (Rocky Mountain Power)
GENERAL RATE CASE

On June 8, 2007, PacifiCorp dba Rocky Mountain Power (Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to increase the Company's base rates for electric service by \$18.5 million annually, or 10.3%. The increase in base rates would vary by class of customer and actual usage. As reflected in the Company's Application, this request is \$3.6 million less than the increase otherwise supported by the Company's revenue requirement analysis, but was limited due to the Revised Protocol rate mitigation cap. The Revised Protocol is the allocation method utilized to allocate and assign generation, transmission and distribution costs to PacifiCorp's six retail state jurisdictions. Reference Case No. PAC-E-02-3 (Inter-Jurisdictional Cost Allocation), Order No. 29708.

Rocky Mountain Power provides electric service to over 67,000 customers in eastern Idaho. As reflected in accompanying testimony, Rocky Mountain Power's need for the revenue increase requested is primarily caused by cost increases in the following areas:

1. Fuel, wholesale market and transmission wheeling price increases, which contribute to significant increases in net power costs.
2. New generation, transmission and distribution plant investments.
3. Labor-related cost increases.

The Company contends that all elements of its rate increase are necessary to maintain and provide adequate, efficient, safe and reliable electric service to its customers and to provide a reasonable

opportunity for the Company to earn a fair return on its investments. The Company claims it is currently earning a return on equity (ROE) of 5.3% in its Idaho jurisdiction. The requested increase in rates will allow the Company to earn an ROE of 10.75%. The Company contends that the higher ROE is necessary to attract capital necessary to maintain its utility infrastructure.

The proposed average increase in base rates by kilowatt-hour will result in the following allocation of the net price increase for major customer classes:

- Residential: 6.7%
- Irrigation: 6.7%
- Industrial contract Schedule 400 (Monsanto Corporation): 24.1%
- Industrial contract Schedule 401 (Nu-West Industries): 14.5%
- General service: no increase

The Company's rate spread and rate design proposals are based on a submitted class cost of service study and include a proposal that, in time of rising costs, no individual customer class would receive a rate reduction.

In addition to the revenue increase requested, the Company also proposes operational changes to its electric service regulations. The Company proposes changes to Regulation No. 10, proposing payment of collection agency cost be the responsibility of the customer causing such a charge to be incurred. The Company is also proposing increasing Schedule 300 fees associated with the connection and reconnection of service and changing the hours during which connection and reconnection of service is offered after normal office hours. In addition, the Company is proposing changes to Regulation No. 12 including housekeeping, clarification, and changing the methodology of refunding customer advances for line extension.

The revised tariff schedules proposed by the Company reflect a proposed effective date of January 1, 2008.

COMMISSION DECISION

Based on its review of the Company's Application and Idaho law, Staff at this time recommends that the Commission issue a Notice of Application and Notice of Intervention Deadline. Does the Commission agree with Staff's recommended procedure?

Scott Woodbury

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