



**ROCKY MOUNTAIN  
POWER**  
A DIVISION OF PACIFICORP

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201 South Main, Suite 2300  
Salt Lake City, Utah 84111

June 8, 2007

***VIA OVERNIGHT DELIVERY***

Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702

Re: Application of Rocky Mountain Power  
for Approval of Changes to Its Electric Service Schedules  
Case No. PAC-E-07-05

Dear Ms. Jewell:

Please find enclosed for filing an original and nine copies of Rocky Mountain Power's Application in the above-referenced matter, along with nine copies of PacifiCorp's direct testimony and exhibits. Also enclosed is a diskette containing the Application, summary of testimony, direct testimony, exhibits, and work papers. To the attention of the Court Reporter is a paper copy of all documents along with a diskette containing all testimony and exhibits.

The following exhibits, Hadaway Exhibit No. 2, Williams Exhibit Nos. 8-9, Fehrman Exhibit Nos. 17-21, Wilson, 22-23, 26-27 are only available in pdf format.

All formal correspondence and regarding this Application should be addressed to:

Brian Dickman  
Rocky Mountain Power  
201 South Main, Suite 2300  
Salt Lake City, Utah 84111  
Telephone: (801) 220-4975  
Fax: (801) 220-2798  
Email: [brian.dickman@pacificorp.com](mailto:brian.dickman@pacificorp.com)

Dean Brockbank  
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[justin.brown@pacificorp.com](mailto:justin.brown@pacificorp.com)

Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to one or more of the following:

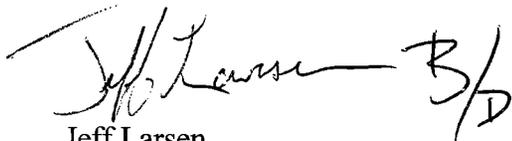
By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232

Thank you for your assistance with this filing.

Very truly yours,



Jeff Larsen  
Vice President, Regulation

cc: Service List

Enclosures

### CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of June, 2007, I caused to be served, via overnight delivery, a true and correct copy of Rocky Mountain Power's general rate case application, direct testimony, and exhibits in PAC-E-07-05, to the following:

<p>Eric L. Olsen Racine, Olson, Nye, Budge &amp; Bailey, Chartered 201 E. Center P.O. Box 1391 Pocatello, ID 83204-1391 E-Mail: <a href="mailto:elo@racinelaw.net">elo@racinelaw.net</a></p>	<p>Randall C. Budge Racine, Olson, Nye, Budge &amp; Bailey, Chartered 201 E. Center P.O. Box 1391 Pocatello, ID 83204-1391 E-Mail: <a href="mailto:rcb@racinelaw.net">rcb@racinelaw.net</a></p>
	<p>Tim Buller Agrium, Inc. 3010 Conda Road Soda Springs, ID 83276 E-Mail: <a href="mailto:tbuller@agrium.com">tbuller@agrium.com</a></p>



Debbie DePetris  
Regulatory Analyst

P. 0011  
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PUBLIC UTILITIES COMMISSION

**ROCKY MOUNTAIN POWER  
SUMMARY OF TESTIMONY  
PAC-E-07-05**

Rocky Mountain Power, a division of PacifiCorp, provides this summary of its testimony filed in support of its general rate case application. Copies of the Company's filing are available online at [www.pacifiCorp.com](http://www.pacifiCorp.com); click on "News and Info" and then select "Regulatory Information" and "Idaho." Copies of the filing may also be reviewed during regular business hours at the offices of the Idaho Public Utilities Commission in Boise and in these Rocky Mountain Power offices:

- 25 East Main, Rexburg
- 509 South 200 East, Preston
- 852 East 1400 North, Shelley
- 24852 U.S. Highway 89, Montpelier

**A. RICHARD WALJE**

***President, Rocky Mountain Power***

Company witness Walje provides an overview of the Company's 2007 general rate case filing and testifies in support of the proposed revenue increase. The Company finds itself in a position similar to that of many utilities across the nation—increasing loads, environmental requirements and improved reliability expectations from customers are driving the need for new utility plant investments which have associated fuel costs, financing costs and operation and maintenance expenses.

Company witness Walje testifies that the Company requires a revenue increase of \$18.5 million, or 10.3 percent overall, in order to recover the costs of providing safe and reliable electric service and to provide a reasonable opportunity for the Company to earn a fair return on its investments. Commission approval of this increase will enable the Company to maintain the financial strength necessary to attract the requisite capital to meet the electrical service needs of its Idaho customers. Mr. Walje also explains the impacts of MidAmerican Energy Holdings Company's (MEHC) recent acquisition of the Company and MEHC's efforts to control costs.

**SAMUEL C. HADAWAY**

***FINANCO, Inc.***

Dr. Hadaway testifies in support of the Company's return on equity (ROE). Based on his review of alternative versions of the constant growth and multistage growth discounted cash flow model, Dr. Hadaway proposes 10.75 percent for the Company's cost of equity. His analysis is confirmed by a risk premium analysis and a review of comparable companies. Dr. Hadaway also describes the unique operational risks that Rocky Mountain Power faces and why the Commission should authorize a ROE that will account for Rocky Mountain Power's higher risks and operating challenges.

**BRUCE N. WILLIAMS**

***Vice President and Treasurer***

Company witness Williams testifies in support of the Company's capital structure, cost of debt, and cost of preferred stock for the test year used in the Company's filing. Mr. Williams determines the cost of long-term debt to be 6.26 percent and the embedded cost of preferred stock to be 5.41 percent. Mr. Williams calculates the average capital structure for the Company's test year to be 49.1 percent long-term debt, .5 percent preferred stock, and 50.4 percent common stock equity. When combined with Dr. Hadaway's 10.75 percent ROE, Rocky Mountain Power proposes an overall weighted cost of capital of 8.52 percent.

**STEVEN R. MCDUGAL**

***Director, Revenue Requirements***

Company witness McDougal testifies in support of the Company's overall revenue requirement based on the normalized results of operations for the calendar year 2006 test year with known and measurable adjustments and will describe the normalizing adjustments related to revenue, operation and maintenance expense, net power costs, depreciation and amortization, taxes and rate base. Based upon these results of operations Rocky Mountain Power is earning an overall ROE of 5.3 percent in its Idaho jurisdiction—far below any other ROE recently authorized for other Idaho investor-owned utilities and less than what is required to provide a fair and equitable return for the Company's shareholders.

Rocky Mountain Power requests a price increase of \$18.5 million based on the Revised Protocol inter-jurisdictional cost allocation methodology. 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. Company witness McDougal will also testify on the revenue requirement impact of deferred accounting entries previously approved by the Commission.

**MARK T. WIDMER**

***Director, Net Power Costs***

Company witness Widmer testifies in support of the Company's net power costs as calculated using the Generation and Regulation Initiatives Decision Tools (GRID) model, the Company's production cost model. Company witness Widmer will also describe the GRID model and explain how input data is normalized. Finally, Company witness Widmer explains hydro modeling associated with the VISTA hydro model.

**WILLIAM J. FEHRMAN**

***President, PacifiCorp Energy***

Company witness Fehrman testifies in support of the Company's major new generation resource acquisitions, including a new natural gas fired generating facility, three new wind facilities, and a geothermal resource. Mr. Fehrman demonstrates that these resources were prudently acquired and provide benefits to the Company's integrated system and Rocky Mountain Power's customers in Idaho. Company witness Fehrman

also explains the increased generation related overhaul and maintenance expenses included in the test period.

**DOUG N. BENNION**

***Managing Director, Network Reliability***

Company witness Bennion testifies in support of the capital investments that the Company is making in transmission and distribution facilities to serve customer loads and deliver reliable power where it is needed in Idaho. Mr. Bennions also explains the Company's transmission and distribution capital investment plan and what Rocky Mountain Power is doing to minimize the impact of rising costs during a robust construction period.

**ERICH D. WILSON**

***Director, Human Resources***

Company witness Wilson testifies in support of the Company's compensation, pension, and benefits programs and related costs. In addition, Company witness Wilson will support the severance costs incurred by the Company in reshaping its corporate workforce.

**MARK E. TUCKER**

***Regulatory Analyst***

Company witness Tucker will testify in support of the Company's class cost of service study that functionalizes, classifies, and allocates costs to each customer class based on the test year in the Company's filing. Mr. Tucker also explains any differences between this cost of service study and studies previously filed with the Commission, including that all Idaho customers are now subject to tariff rate changes as approved by the Commission.

**WILLIAM R. GRIFFITH**

***Director, Pricing, Cost of Service, and Regulatory Operations***

Company witness Griffith testifies in support of the Company's rate spread and rate design proposals. The Company's rate spread is based on the class cost of service study and includes a proposal that, in a time of rising costs, no individual customer class would receive a rate reduction. Consequently, Rocky Mountain Power proposes the following allocation of the net price increase for major customer classes:

- Residential: 6.7%
- Irrigation: 6.7%
- Industrial Contract Schedule 400: 24.1 %
- Industrial Contract Schedule 401: 14.5%
- General Service: No increase

Company witness Griffith will also present an analysis of the on- and off-peak differential structure in the residential time-of-use schedule.

**CAROLE A. ROCKNEY**

***Director, Customer and Regulatory Liaison***

Company witness Rockney testifies in support of proposed housekeeping and needed operational changes to the Company's electric service regulations. Rocky Mountain Power proposes changes to Regulation No. 10, proposing payment of collection agency costs 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 12 including housekeeping, clarification, and changing the methodology of refunding customer advances for line extension.

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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE</b>	)	
<b>APPLICATION OF ROCKY</b>	)	<b>CASE NO. PAC-E-07-05</b>
<b>MOUNTAIN POWER FOR</b>	)	
<b>APPROVAL OF CHANGES TO ITS</b>	)	<b>APPLICATION OF</b>
<b>ELECTRIC SERVICE SCHEDULES</b>	)	<b>ROCKY MOUNTAIN POWER</b>
	)	

**ROCKY MOUNTAIN POWER**

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**CASE NO. PAC-E-07-05**

**Direct Testimony and Exhibits**

**June 2007**

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*Attorneys for Rocky Mountain Power*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE )  
APPLICATION OF ROCKY ) CASE NO. PAC-E-07-05  
MOUNTAIN POWER FOR )  
APPROVAL OF CHANGES TO ITS ) APPLICATION OF  
ELECTRIC SERVICE SCHEDULES ) ROCKY MOUNTAIN POWER  
)**

Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”) hereby applies to the Commission for approval of proposed changes to the Company’s electric service schedules submitted herewith. In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 67,000 customers in the state of Idaho and is subject to the jurisdiction of the Commission.

2. Communications regarding this Application should be addressed to:

Brian Dickman  
201 South Main, Suite 2300  
Salt Lake City, Utah 84111  
Telephone: (801) 220-4975  
Fax: (801) 220-2798  
Email: [brian.dickman@pacificorp.com](mailto:brian.dickman@pacificorp.com)

and to:

Dean Brockbank  
Justin Lee Brown  
201 South Main, Suite 2300  
Salt Lake City, Utah 84111  
Telephone: (801) 220-4568  
Fax: (801) 220-3299  
Email: [dean.brockbank@pacificorp.com](mailto:dean.brockbank@pacificorp.com)  
[justin.brown@pacificorp.com](mailto:justin.brown@pacificorp.com)

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail ( <b>preferred</b> )	<a href="mailto:datarequest@pacificorp.com">datarequest@pacificorp.com</a>
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232
By facsimile	(503) 813-6060

3. Rocky Mountain Power's proposed revised tariff schedules, which are filed with this Application, would result in a net increase of \$18.5 million, or 10.3%, in prices for the Company's Idaho retail customers. The revised tariff schedules reflect a proposed effective date of January 1, 2008.

4. This proposed increase is based upon normalized results of operations for the test period ending December 31, 2006, with known and measurable changes. These normalized test period results show that the Company is currently earning a normalized return on equity ("ROE") of 5.3 percent in its Idaho jurisdiction. This current ROE is far

below the Company's currently authorized return, the returns recently authorized for other Idaho investor-owned utilities, and the 10.75 percent ROE supported by the Company's testimony filed with this Application. Without the requested increase in revenues, it will be increasingly difficult for the Company to access capital markets to obtain the funds necessary to maintain its utility infrastructure and continue to provide adequate, efficient, just and reasonable service to its Idaho customers.

5. Rocky Mountain Power's direct case consists of the testimony and exhibits of eleven witnesses. Below is a brief summary of their testimony.

- (a) A. Richard Walje, president, Rocky Mountain Power, will present an overview of the Company's case and provide the context for the testimony of the other witnesses.
- (b) Samuel C. Hadaway, FINANCO, Inc., will testify in support of the Company's ROE. He will also describe the unique operational risks that Rocky Mountain Power faces and why the Commission should authorize a ROE that will account for Rocky Mountain Power's higher risks and operating challenges. Dr. Hadaway's analysis suggests a cost of equity for the Company of 10.75 percent.
- (c) Bruce N. Williams, vice president and treasurer, testify in support of the Company's cost of debt, preferred stock and capital structure.
- (d) Steven R. McDougal, director, revenue requirements, will testify in support of the Company's results of operations for the test period ending December 31, 2006, and will discuss the normalizing adjustments made to the results. Company Witness McDougal will also testify on deferred accounting costs and support the Company's proposed inter-jurisdictional cost allocation.

- (e) Mark T. Widmer, director, net power costs, will testify in support of the Company's net power costs. Company Witness Widmer will also describe the Company's production cost model and explain how input data is normalized.
- (f) William J. Fehrman, president, PacifiCorp Energy, will testify in support of the Company's major new generation resource acquisitions, and will provide investment information on and prudence justification for these items, including the increased generation related overhaul and maintenance expenses for the test period.
- (g) Douglas N. Bennion, managing director, network reliability and investment delivery, will testify in support of the capital investments that the Company is making in transmission and distribution facilities to serve customer loads and deliver reliable power where it is needed in Idaho.
- (h) Erich D. Wilson, director, human resources, will testify in support of the Company's new compensation, pension, and benefits program and related costs. In addition, Company Witness Wilson will support the severance costs incurred by the Company in reshaping its corporate workforce.
- (i) Mark E. Tucker, regulatory analyst, will testify in support of the Company's class cost of service study, which was used in developing the proposed allocation of the revenue increase in this filing to the various customer classes.
- (j) William R. Griffith, director, pricing and cost of service, will testify in support of the Company's rate spread and rate design proposals. Company Witness Griffith will also present an analysis of the residential time-of-use schedule structure.
- (k) Carole A. Rockney, director, customer and regulatory liaison, will testify in support of proposed housekeeping and needed operational changes to the Company's electric service regulations.

6. Rocky Mountain Power is notifying its customers of this Application by means of a press release sent to local media organizations, messages on customer bills over the course of a billing cycle, and, in some cases, personal contact with customers or their representatives. In addition, copies of this Application will be made available for review at the Company's local offices in its Idaho service territory.

7. The Company respectfully submits that the Commission's approval of Rocky Mountain Power's Application, including the approval and implementation of the proposed electric service schedules as filed, is in the public interest. In accordance with Commission Rule 121(d), Rocky Mountain Power represents that it stands ready for immediate consideration of this Application.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue a final order approving the Company's proposed electric service schedules effective January 1, 2008.

DATED this 8<sup>th</sup> day of June, 2007.

Respectfully submitted,

By   
Dean Brockbank  
Justin Brown  
Attorneys for Rocky Mountain Power

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