

## DECISION MEMORANDUM

**TO:** COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL

**DATE:** SEPTEMBER 24, 2008

**SUBJECT:** CASE NO. PAC-E-08-07 (Rocky Mountain Power)  
GENERAL RATE CASE

On September 19, 2008, PacifiCorp dba Rocky Mountain Power (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 \$5.9 million annually, or 4.0%. The increase in base rates would vary by class of customer and actual usage. The rate increase does not apply to Agrium or Monsanto, whose rates are controlled by a separate Commission-approved Stipulation.

Rocky Mountain Power provides electric service to over 69,000 customers in eastern Idaho. As reflected in the Company's filing and supporting testimony, the proposed rate increase is designed to recover the dramatically increasing costs of serving residential, commercial and irrigation customers. As the demand for electricity has grown, the Company has made investments in new infrastructure and facilities. In addition, the costs for fuel and purchased power to serve customers have increased. The Company contends that without the requested increase in revenues, it will be increasingly difficult to maintain its utility infrastructure and continue to provide adequate, efficient, just and reasonable service to its Idaho customers.

Rocky Mountain Power claims that it is currently earning a normalized return on equity (ROE) of 6.5% in its Idaho jurisdiction. This current ROE, it states, is far below the Company's authorized Idaho return (10.25%), the returns recently authorized for other Idaho investor-owned utilities, and the 10.75% ROE requested by the Company in this case. The Company contends that an overall price increase of \$19.4 million would be required to produce the 10.75% ROE requested by the Company in this proceeding. The amount requested in this case is constrained and limited by the Revised Protocol rate mitigation cap approved by the Commission in Case No. PAC-E-02-3, reducing the request by \$3.1

million. 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. The amount requested in this case is also limited by the Stipulation approved in Case No. PAC-E-07-05 for tariff Schedules 400 (Monsanto Company) and 401 (Agrium, Inc.). That Stipulation regulates the rates of Monsanto and Agrium through December 2010 and reduces the Company's rate request by \$10.4 million.

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: 4.73%
- Irrigation: 2.31%
- General Service
  - Schedule 23/23A: 0%
  - Schedule 6/6A/8/35: 7.96%
  - Schedule 9: 7.96%
  - Schedule 19: 2.31%
- Public Street Lighting
  - Schedules 7/7A, 11, 12: 0%

The ultimate prices customers will see are determined by the Company's rate spread and rate design proposals. For an average residential home using 850 kWh per month, customers will realize an increase of \$3.55 per month.

The revised tariff schedules proposed by the Company reflect a proposed effective date of October 19, 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, and suspend the proposed rates for a period of 30 days plus 5 months from the proposed October 19, 2008 effective date. *Idaho Code* §§ 61-622, -623. Does the Commission agree with Staff's recommended procedure?



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Scott Woodbury  
Deputy Attorney General

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