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IDAHO PUBLIC UTILITIES COMMISSION

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES.	)	**CASE NO. PAC-E-08-7**

DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF STIPULATION

IDAHO PUBLIC UTILITIES COMMISSION

FEBRUARY 25, 2009

Q. Please state your name and business address for the record.

A. My name is Randy Lobb and my business address is 472 West Washington Street, Boise, Idaho.

Q. By who are you employed?

A. I am employed by the Idaho Public Utilities Commission as Utilities Division Administrator.

Q. What is your educational and professional background?

A. I received a Bachelor of Science Degree in Agricultural Engineering from the University of Idaho in 1980 and worked for the Idaho Department of Water Resources from June of 1980 to November of 1987. I received my Idaho license as a registered professional Civil Engineer in 1985 and began work at the Idaho Public Utilities Commission in December of 1987. I have conducted analysis of utility rate applications, rate design, tariff analysis and customer petitions. I have testified in numerous proceedings before the Commission including cases dealing with rate structure, cost of service, power supply, line extensions, regulatory policy and facility acquisitions. My duties at the Commission currently include case management and oversight of all technical Staff assigned to Commission filings.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to describe the process leading to the filed Stipulation (the Proposed Settlement) and to explain the rationale for Staff's support. In this case the Company is PacifiCorp as the corporate entity doing business in Idaho as Rocky Mountain Power. The Proposed Settlement is signed by Rocky Mountain Power, the Idaho Irrigation Pumpers Association, Community Action Partnership Association of Idaho and Commission Staff. The Stipulation does not impact or propose any changes to the rates of Monsanto or Agrium, whose rates are controlled by a separate Stipulation approved in 2007, Case No. PAC-E-07-5, Order No. 30482.

Q. Please summarize your testimony.

A. Based on its review of Rocky Mountain Power's rate case filing, a comprehensive audit of PacifiCorp test year results of operations and consideration of outstanding rate case issues, Staff believes that the comprehensive Proposed Settlement is in the public interest and should be approved by the Commission. The Company originally proposed a revenue increase of $5.9 million for an overall revenue requirement increase to Idaho's retail customers excluding Monsanto and Agrium of 4.0%. The Proposed Settlement provides an annual revenue requirement increase of $4.38 million or 3.1% spread to the various specified Idaho customer classes based on the Company's proposed cost of service.

There are four primary issues that Staff believes makes negotiated settlement a reasonable option in this case. 1) Most test year expenses and investments have already been reviewed and adjusted by five other state jurisdictions served by PacifiCorp. 2) Expense and investment adjustments made on a PacifiCorp system level trickle down to affected Idaho retail customers in this case at only 2.1% of the original adjustment. 3) Multi-State Process (MSP) jurisdictional allocation commitments already limit the level of revenue requirement increase that can be passed on to Idaho retail customers. 4) The Stipulated Settlement approved by the Commission in Case No. PAC-E-07-5 contains the following terms:

- With respect to the rate plans for 2008 through 2010 for Agrium and Monsanto, the Company agrees that in any rate filing during the terms of such rate plans it will not seek to recover any revenue shortfalls related to Agrium and Monsanto from other Idaho customers when compared to cost of service studies in those filings. (Stipulation, ¶ 10).

- The cost of service methodology proposed by the Company in this proceeding will remain in effect as the accepted methodology through the maximum duration of the rate plans for Agrium and Monsanto which expire December 31, 2010. (Stipulation, ¶ 11).

As a result of its audit and in preparation of direct testimony, a variety of adjustments to the Company's proposed revenue requirement were identified by Staff. Areas subject to adjustment included authorized return on equity, plant additions, wind integration costs, renewable energy credit revenue, line loss effects, working capital and taxes associated with AFUDC. Staff also investigated costs associated with the acquisition of the Chehalis generating plant, demand side management tariff rider expenditures and possible residential rate design options.

Staff evaluated each adjustment individually and all of the issues in total to arrive at an overall settlement that provides 26% less revenue than that originally requested by the Company. If identified errors and undisputed adjustments in the Company's favor are included, the Settlement represents a reduction of more than 32%. Moreover, the resulting revenue requirement reduction reflects nearly all of the adjustments that Staff would have presented through testimony for Commission decision.

In addition to the adjustments identified above, many other issues were evaluated by Staff in its review of the Company's filing. All issues were included in settlement discussion in order to arrive at a negotiated agreement that Staff believes is in the overall best interest of Rocky Mountain Power customers.

As part of the Stipulation, Staff specifically agreed on appropriate levels of net power supply costs, that acquisition and operating costs of Chehalis generating plant were prudently incurred and should be included in rates, that

DSM expenditures made from the DSM tariff rider were prudently incurred and that $50,000 in tariff rider funds should be used to support energy conservation education in conjunction with the existing low income weatherization program. Staff also agreed that a rate spread and rate design for each retail class based upon the Company's original proposals as adjusted for the lower revenue requirement were reasonable. A provision in the Stipulation recommended by Staff commits Rocky Mountain to address an inverted tiered rate design proposal for the residential class in its next general rate case.

The Stipulation

Q. What factors did the Commission Staff consider before pursuing negotiated settlement?

A. Staff identified several issues early on in its investigation that are unique to Rocky Mountain Power's general rate case filing. The first issue deals with the proformed 2007 historic test year proposed by the Company. The historic and proformed expense and investments included in the Company's filing have already been thoroughly reviewed in various regulatory proceedings in the five other state jurisdictions in which PacifiCorp operates. As a result of this review, most of the expenses and investments that might have been subject to adjustment by Staff in this case have already been removed by the Company.

Once Staff does identify an adjustment on a PacifiCorp system cost basis, it must be reduced to an Idaho jurisdictional amount and then to an Idaho retail cost of service amount. In other words, an adjustment of $1 million on a system basis is reduced to just $21,000 or only 2.1% of the original adjustment when fully allocated to Idaho retail customers subject to a rate increase in this case.

Another unique consideration when assessing the Company's filing in this case is the effect of the MSP cap on costs allocated to Idaho. When the Revised Protocol allocation methodology was approved by the Commission, it included a commitment until March 31, 2009, that costs allocated to Idaho under the new methodology would not exceed 101.67% of the cost allocation that would have occurred under the existing Rolled-In allocation methodology (Order No. 29708). The effect of this cap in the Company-filed case is to limit costs allocated to Idaho by $3.1 million. For other cost adjustments identified by Staff to have any effect, they must exceed this level of costs already removed.

The final unique consideration in assessing the merits of pursuing settlement in this case was the cost of service provision in the Stipulation approved by the Commission in Case No. PAC-E-07-5. That provision prohibited a change in rate case cost of service methodology during the approved three-year rate contract period between Rocky

Mountain and Monsanto/Agrium. Maintaining cost of service methodology is necessary during the rate contract period to assure costs are not inappropriately shifted between customer classes as part of a general rate case. Consequently, this provision takes modification to cost of service methodology off the table in this case.

Q. What are the key components of the Proposed "Black Box" Settlement described in the Stipulation?

A. The key components include: 1) an annual Idaho revenue requirement increase of $4.38 million or 3.1%; 2) total Company base power supply costs of $982 million; 3) including Chehalis acquisition and operation costs in rates as prudently incurred; 4) accepting demand side management (DSM) program costs requested in this case as prudently incurred; and 5) allocating $50,000 of DSM tariff rider funds for education associated with low income weatherization.

The Stipulation also covers a variety of other issues including the Oregon Energy Trust and its funding of wind projects, a residential tiered rate design proposal to be provided by Rocky Mountain in its next rate case and a revenue/rate spread to Idaho retail customers based on the cost of service principles proposed by the Company in its original filing. The Stipulation is attached as Staff Exhibit No. 101.

Q. What is meant by a "Black Box" Settlement?

A. The parties agreed that the Settlement represents a "black box" in that the position of the parties on individual issues and resulting revenue adjustments are not specifically identified. Rather, the give and take during negotiations on all issues resulted in a single overall revenue requirement that was satisfactory to all parties. For example, while cost of equity was a subject of discussion, it was agreed that it would not be specifically identified in the Stipulation. Likewise, issues such as the treatment of revenues from renewable energy credits, the cost of wind integration and the calculation of cash working capital were all considered as part of the overall settlement package. However, there was no specific position or revenue adjustment for these issues included in the Stipulation.

General Settlement in this way provides for compromise to arrive at a mutually acceptable revenue requirement. It does not set a precedent that commits any party to a specific position on an issue that might be more fully addressed in the future.

Revenue Requirement

Q. How did Staff identify revenue requirement issues and what were the primary considerations in reaching agreement on the stipulated revenue requirement?

A. Staff identified issues in this case by reviewing the Company's rate case filing, conducting a comprehensive audit of Company test year results of operations and reexamining issues, recommendations and Commission Orders associated with the Company's last general rate case, Case No. PAC-E-07-5. Staff identified 10 potential adjustments with annual revenue requirement impacts ranging from $50,000 to over $2 million. Other issues such as the Energy Cost Adjustment Mechanism (ECAM) and associated net power supply cost, the Chehalis generating plant, DSM expenditures, renewable energy credits, cost allocation for the irrigation load control program and rate design were discussed at the settlement workshop and had value in the negotiation process.

Staff evaluated each of the issues identified above to determine the associated revenue requirement adjustment, if any, and to develop the justification for the position Staff would likely present in testimony. Staff established an overall revenue requirement target that it believed could be achieved with reasonable certainty and then negotiated additional less certain adjustments in conjunction with the likely Staff position on various disputed issues to arrive at an overall revenue requirement compromise.

Staff believes that the stipulated increase in revenue requirement of 3.1%, or approximately $1.5 million less than that originally proposed by the Company, represents a reasonable settlement in this case. This is particularly true when tax errors and undisputed adjustments totaling some $600,000 were identified during the negotiations that would have increased the Company's original revenue requirement request. Staff also believes that the $4.38 million proposed revenue increase recognizes the unique characteristics of the Company's filing while balancing the needs of both the Company and its customers. Staff notes that the Proposed Settlement incorporates almost all of the adjustments that Staff would have recommended in testimony.

Q. The Stipulation states that the parties agreed to a revenue requirement increase of $4.8 million yet the actual increase is only $4.38 million. How was the lower increase derived?

A. The lower revenue requirement increase for Idaho retail customers of $4.38 million was derived by establishing an Idaho jurisdictional revenue requirement and then reallocating the total to Idaho retail customers (excluding Monsanto and Agrium). The methodology approved by the parties begins with the $4.8 million revenue requirement increase and then divides by the 36.0553%, which represents the Idaho jurisdictional cost responsibility of retail customers. The resulting $13.31 million Idaho jurisdictional revenue requirement is then reallocated to all Idaho customer classes using the Staff's cost of service model incorporating proposed revenue requirement adjustments. The result of the methodology is an increase to the impacted Idaho retail customer classes of $4.38 million. The difference between $4.8 million and $4.38 million is the additional Idaho jurisdictional costs that are allocated to Monsanto and Agrium.

Return on Equity

Q. Why was return on equity not specified in the Proposed Settlement?

A. Return on equity (ROE) was not specified in the Stipulation as a compromise to recognize the significant difference in party positions. The Company had proposed a ROE of 10.75% and Staff believed the current ROE of 10.25% was all that was warranted. Staff ultimately determined that it was not necessary for the Stipulation to specify return on equity if the overall revenue requirement was deemed reasonable. To the extent return on equity is required for other purposes such as avoided cost and AFUDC calculations, Staff supports continued use of the last authorized return on equity (10.25%). Order No. 30482.

Net Power Supply Cost

Q. Why were net power supply costs specifically established in the Stipulation?

A. Staff reviewed the calculation of net power supply costs as provided in the Company's filing and determined that annual costs of $982 million were reasonable. Staff would not have necessarily proposed any adjustment to the amount if the case had proceeded to hearing. However, the parties agreed that the Commission must establish normalized net power supply costs in this case in order to properly evaluate the merits of the Company's proposed ECAM. Staff has not agreed at this time to the Company's ECAM proposal nor has it agreed that an ECAM mechanism is warranted for Rocky Mountain Power in Idaho.

Chehalis

Q. Why did Staff agree in the Stipulation to allow cost recovery for the Chehalis generating plant?

A. As part of its rate case review, Staff investigated the Company's proposal to include the acquisition and operating cost of the Chehalis generating plant in base rates. The plant is a 500 MW natural gas-fired combined cycle generation facility acquired by PacifiCorp on September 15, 2008.

During its investigation, Staff verified that PacifiCorp's 2007 Integrated Resource Plan (IRP) identified a future deficit between the Company's projected peak capacity needs and its resources available to serve peak demand. In April 2007, the Company issued a Request for Proposal (RFP) seeking up to 1,700 MW of cost-effective base load resources to address the needs identified in the IRP. The Chehalis plant was not bid into that RFP; instead, it became available for a limited time in the market, outside of the RFP bidding process. The time limitations on the transactions were such that the completion of an RFP under the procurement guidelines and laws in Oregon and Utah would have resulted in the loss of the opportunity to purchase the Plant. As a consequence, waivers of the RFP regulatory requirements were obtained from each of those states. Reports prepared by three independent evaluators – Merrimack Energy Group, Bodington & Company, and Boston Pacific Company – were submitted in support of the Company's waiver requests in Oregon and Utah. Each of those reports supported the Company's acquisition of the Plant, and concluded that even though the Chehalis Plant was not bid into the 2012 RFP, it likely would have been selected over other bids that were submitted. Staff thoroughly reviewed these reports as part of its analysis in this case.

The Company has used data and models from its 2007 IRP, 2008 business plan and information regarding the Plant obtained from the then current owner in analyzing whether to acquire the Plant. The capitalized purchase price of the Chehalis Plant was $305 million, or $610 per kW, not including the capitalization of the legal and consulting costs and site licensing costs. The results of the Company's analysis show that acquisition of the Plant on the terms and conditions in the Purchase and Sale Agreement reduces present value revenue requirement of the Company's portfolio by about $142 million to $197 million versus a comparable alternative resource from the 2012 RFP with an estimated cost of $1,000 per kW to $1,150 per kW. Staff concurs with the Company's analysis and believes that the Company's customers are better off through acquisition of the Plant now than acquisition of a similar resource in 2012 based on market pricing and responses to the 2012 RFP.

Based on its own analysis and a review of the Company's analysis, Staff concludes that acquisition of the Chehalis Plant is in the public interest and provides a favorably-priced, flexible resource that will assist the Company in meeting the resource needs of its customers at the lowest reasonable cost.

Demand Side Management

Q. Why did Staff agree as part of the Stipulation to accept PacifiCorp’s 2006-2007 DSM expenditures as prudent?

A. Staff’s review of Rocky Mountain’s 2006-2007 demand side management (DSM) expenditures found that the Company evaluates the cost-effectiveness of its programs using the total resource cost test (TRC), the utility cost test (UCT), and the participant cost test (PCT). The Company maintains and Staff has verified that its programs meet Commission approved cost-effective criteria. Staff has also verified that the methodology used by the Company to evaluate benefits and costs properly captures program energy savings. Additionally, Staff is satisfied that the Company periodically reviews and updates its DSM business case through its Integrated Resource Plan (IRP) and other processes.

Finally, the Company periodically reviews its DSM program assumptions and cost-effectiveness and makes changes as necessary. Formal, third-party, post-implementation impact and process evaluations have been performed for some of the programs that have been running longer in other PacifiCorp jurisdictions and these evaluations have also resulted in changes to Idaho programs. Although the Company has not yet obtained competitive-bid, third-party evaluations in Idaho, it is in the process of doing so, per its program evaluation schedule, now that some of its programs have had three-years of experience in Idaho.

Rocky Mountain has actively marketed its DSM programs and education to its Idaho customers and many of its customers have participated in them. Consequently, Staff likely would have supported a prudency finding for Rocky Mountain's two-year (2006-2007) DSM expenses in testimony at hearing and concludes that it was reasonable to support such a finding as part of the Stipulation.

Cost of Service

Q. What have the parties agreed to with respect to cost of service?

A. As a result of the Commission approved Stipulation in the Company's last general rate case, Case No. PAC-E-07-5, the cost of service methodology used to allocate costs to the various customer classes could not change in this rate case. Consistency in cost of service methodology between rate cases was required due to the rate contract with Monsanto and Agrium. While this case establishes the Idaho jurisdictional revenue requirement, the Company can only recover cost increases associated with retail customers (excluding Monsanto and Agrium). Changing cost of service methodology in this case could inappropriately increase costs allocated to retail customers or shift costs allocated to Monsanto/Agrium making those additional costs unrecoverable by the Company in this rate case. Consequently, the cost of service methodology used by the Company in its last general rate case and proposed in this case was adopted by the parties to establish class revenue responsibility.

Rate Spread and Rate Design

Q. Do the parties to the Stipulation agree with the Class revenue spread and the rate relationships proposed by the Company in its direct case?

A. Yes, as adjusted for the lower overall revenue requirement. The cost of service study proposed by the Company and adopted as part of the Stipulation provides the basis for the proposed revenue spread. The actual revenue spread specified in the Stipulation for the various customer classes range from no increase for the lighting classifications to 5.94% for commercial schedules 6 and 9. The residential schedule receives an increase of 3.53% and irrigators receive 1.73%. Staff believes that the proposed revenue spread reasonably applies the results of the cost of service study previously approved by the Commission and accepted by the parties in this case.

Absent a compelling rationale for major changes in rate structure, the parties in this case agreed to apply the general rate principals proposed by the Company in its original filing. Residential customers will see an across the board increase in rate components while maintaining the differential between summer/winter and peak/off peak energy rates.

The rate components for commercial, industrial and irrigation schedules will also increase across the board based on the overall revenue increase proposed for the class. For example, the first block irrigation season energy rate will increase by 1.73% from 7.0083 cents per kWh to 7.1295 cents per kWh. Proposed rates for each of the customer classes are attached as Staff Exhibit No. 102.

Q. Why is there a provision in the Stipulation for Rocky Mountain to address residential tiered rate design in its next general rate case filing?

A. While Staff has not proposed any rate structure changes for the residential class in this case, it is interested in whether a tiered rate design would be beneficial to the Company and its customers. Tiered rates have been proposed by Staff and approved by the Commission for Idaho Power residential customers and may be appropriate for Rocky Mountain customers as well. There are however, some significant differences between the two companies that make further evaluation of a tiered rate design necessary. For instance, Rocky Mountain already has a residential time of use rate and Idaho represents only 6% of PacifiCorp's customer base. A tiered rate design will not have the impact on a system basis for Rocky Mountain that it will have for Idaho Power given that Idaho customers represent about 95% of Idaho Power's customer base.

Consequently, the parties agreed that it is reasonable for Rocky Mountain to further investigate and to include an inverted tiered rate design proposal for residential customers in its next filed general rate case.

Miscellaneous Provisions

Q. Are there any other provisions in the Stipulation that you wish to address?

A. Yes, there is one. The Stipulation includes a paragraph regarding the Energy Trust of Oregon funding of the

Goodnoe Hills wind generation plant. This issue deals with how renewable energy credits generated from the project should be allocated among the jurisdictions given that the Oregon Energy Trust contributed directly to project development. The parties did not agree on any specific allocation methodology and therefore agreed to defer this issue to Rocky Mountain's next general rate case.

Q. Does this conclude your testimony in this case?

A. Yes it does.

ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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201 South Main, Suite 2300
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February 4, 2009

VIA OVERNIGHT DELIVERY

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

Attention: Jean D. Jewell
Commission Secretary

RE: Case No. PAC-E-08-07 In the Matter of the Application of Rocky Mountain Power for Approval of Changes to its Electric Service Schedules and a Price Increase of $5.9 Million, or 4.0%.

Enclosed please find the original and seven (7) copies of the Stipulation entered into by and between Rocky Mountain Power and the following parties of record in the above captioned matter: Staff for the Idaho Public Utilities Commission, Idaho Irrigation Pumpers Association, Inc. and the Community Action Partnership Association of Idaho. This stipulation does not impact or propose any changes to Monsanto or Agrium's rates. Monsanto participated in the settlement discussions and while they do not adopt the Stipulation they have no objection to the Commission approving the same. Parties to the Stipulation will file testimony in support of the settlement on February 25, 2009.

Please let me know if you have any further questions.

Very Truly,

Daniel E. Solander
Senior Counsel
Rocky Mountain Power

Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES AND A PRICE INCREASE OF $5.9 MILLION OR 4.0 PERCENT	)	**CASE NO. PAC-E-08-07** **STIPULATION**

This stipulation ("Stipulation") is entered into by and among Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company") and the following parties of record in Case No. PAC-E-08-07: Staff for the Idaho Public Utilities Commission ("Staff"); the Community Action Partnership Association of Idaho ("CAPAI"); and the Idaho Irrigation Pumpers Association, Inc. ("IIPA") (collectively, the "Parties").[1] Monsanto and Agrium Inc. rates are not directly impacted by the foregoing settlement reached by the other effected parties.

[1] Agrium, Inc., also a party of record in Case No. PAC-E-08-07, did not participate in settlement discussions and is not a signator to the Stipulation.

Monsanto does not adopt the stipulation but has no objection to the Commission approving the same.

I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of the issues raised in this proceeding and that this Stipulation is in the public interest. The Parties, therefore, recommend that the Idaho Public Utilities Commission ("Commission") approve the Stipulation and all of its terms and conditions. See IDAPA 31.01.01.271, 272, and 274.

II. BACKGROUND

2. On September 19, 2008, Rocky Mountain Power filed an Application seeking authority to increase the Company's base rates for electric service by $5.9 million annually, an average increase of approximately 4.0%. The increase in rates varied by individual customer and actual usage. Rocky Mountain Power sought to increase rates effective October 19, 2008. The Application did not include changes to the rates charged by Rocky Mountain Power to Monsanto and Agrium, as the rates for those two customers are subject to the Stipulation filed and approved by the Commission in Docket No. PAC-07-05 and no changes to those rates were proposed in the current Docket.

3. With a view toward resolving the issues raised in Rocky Mountain Power's Application in this proceeding, representatives of the Parties met on January 15, 2009, pursuant to IDAPA 31.01.01.271 and 272, to engage in settlement discussions.

Based upon the settlement discussions between the Parties, as a compromise of the positions in this proceeding, and for other consideration as set forth below, the Parties agree to the following terms:

III. TERMS OF THE STIPULATION

4. The Parties agree that this shall be a "black box" settlement with no party accepting a specific methodology for the revenue requirement determination. Accordingly, each individual component of the Stipulation has not been agreed to by all Parties, but all Parties support the overall increase to Rocky Mountain Power's Revenue Requirement, and agree that the overall increase represents a fair, just and reasonable compromise of the issues raised in this proceeding and that this Stipulation is in the public interest.

5. The Parties agree to support an overall revenue requirement increase in this case of $4.8 million, excluding the contract customers. Parties to the stipulation agreed that the $4.8 million would be divided by 36.0553%, (the ratio of non-contract to contract customers cost of service from page 2 of Rocky Mountain Power's Exhibit 20) to get to an Idaho total revenue requirement increase of $13,312,883. This increase to Idaho's revenue requirement was input into Staff's cost of service model to run the class allocation producing $4,382,632 or approximately 3.1% revenue requirement increase to the non-contract customers. The increase shall be effective April 18, 2009 for all affected customers.

6. The Parties agree to establish the total company base net power cost at $982 million, as filed in this Application, which will be necessary for calculation purposes in Rocky Mountain Power's currently pending Application for Approval of an Energy Cost Adjustment Mechanism in Docket No. PAC-E-08-08.

7. The Parties agree that Rocky Mountain Power's acquisition of the Chehalis generating plant in Chehalis, Washington was a prudent decision and in the public interest, and costs related to the plant acquisition and operation included in this case are reasonable and are included in rate base.

8. The Parties agree that the demand-side management programs proposed by Rocky Mountain Power in Docket No. PAC-E-08-01 are prudent. Further, the Parties agree that a total of $50,000 of demand-side management program funds will be made available to SouthEastern Idaho Community Action Agency and Eastern Idaho Community Action Partnership to be used

to support conservation education as a component of Rocky Mountain Power's low income weatherization program, Schedule 21. Parties agree that it is the responsibility of the Community Action Partnership Association of Idaho to propose said education program to Rocky Mountain Power by May 1, 2009 and that the proposal will contain funding proportioning the $50,000 between the two agencies, objectives and any savings estimates to assist in program evaluations and reporting requirements. The Parties agree that the low income weatherization program (Schedule 21) and the conservation education component of the program is in the public interest and is determined to be cost-effective even though the explicit quantification of benefits may not be possible, and furthermore, the Parties agree to support the justification and recovery of these costs through the demand-side management surcharge funding.

9. The Parties agree that the issue raised in Company testimony related to the Energy Trust of Oregon Funding of the Goodnoe Hills wind generation plant will be deferred to Rocky Mountain Power's next filed general rate case.

10. Rocky Mountain Power agrees that it will include an inverted tier rate design proposal or option for residential customers in its next filed general rate case for the Commission's consideration.

11. The Parties agree to the rate spread set forth in the following table. The rate spread was calculated based on the ratio of Rocky Mountain Power's proposed revenue requirement increase of $5,871,441 to the settled revenue requirement increase of $4,382,632. This amount was ratably applied to Rocky Mountain Power's original proposed price change by customer class. Details of the rate spread are included in Attachment 1 to this Stipulation.

Customer Class	Proposed	Settled
Residential – Schedule 1	4.73%	3.53%
Residential – Schedule 36	4.73%	3.53%
General Service		
Schedule 23/23A	0%	0%
Schedule 6/6A/8/35	7.96%	5.94%
Schedule 9	7.96%	5.94%
Schedule 19	2.31%	1.73%

Irrigation		
Schedule 10	2.31%	1.73%
Public Street Lighting		
Schedules 7/7A, 11, 12	0%	0%

12. The parties agree that the design of rates by rate schedule (rate design) shall be consistent with the Company's filed proposals as adjusted for the revenue requirement in this settlement.

IV. GENERAL PROVISIONS

13. The Parties agree that this Stipulation represents a compromise of the positions of the Parties on all issues in this proceeding. Other than the above referenced positions and any testimony filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all negotiations relating to this Stipulation shall not be admissible as evidence in this or any other proceeding regarding this subject matter.

14. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to IDAPA 31.01.01.274. The Parties shall support this Stipulation before the Commission, and no Party shall appeal any portion of this Stipulation or Order approving the same. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

15. In the event the Commission rejects any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 15 days of

the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate.

16. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

17. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

18. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and, if judicial review is sought, upon such approval being upheld on appeal by a court of competent jurisdiction.

[INTENTIONALLY LEFT BLANK]

Respectfully submitted this 4th day of February, 2009.

Rocky Mountain Power	**Idaho Irrigation Pumpers Association, Inc.**
By Mark C. Moench	By________________________
Idaho Public Utilities Commission Staff	**Community Action Partnership Association of Idaho**
By________________________	By________________________

Respectfully submitted this 4th day of February, 2009.

Rocky Mountain Power	**Idaho Irrigation Pumpers Association, Inc.**
By Mark C. Moench	By__________________
Idaho Public Utilities Commission Staff	**Community Action Partnership Association of Idaho**
By Scott D. Woodbury 1/30/09	By__________________

Respectfully submitted this 4th day of February, 2009.

Rocky Mountain Power	**Idaho Irrigation Pumpers Association, Inc.**
By Mark C. Moench	By Eric L. Olsen
Idaho Public Utilities Commission Staff	**Community Action Partnership Association of Idaho**
By______________________________	By______________________________

Respectfully submitted this 4th day of February, 2009.

Rocky Mountain Power

By ____________________

Idaho Public Utilities Commission Staff

By ____________________

Idaho Irrigation Pumpers Association, Inc.

By ____________________

Community Action Partnership Association of Idaho

By ____________________

ATTACHMENT 1
ROCKY MOUNTAIN POWER
ESTIMATED IMPACT OF PROPOSED REVENUES ON NORMALIZED PRESENT REVENUES
FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN IDAHO
12 MONTHS ENDING DECEMBER 2007

						Present Revenue ($000)	Proposed Revenue ($000)	Change in Base Revenue			
Line No.	Description	Present Sch.	Proposed Sch.	Average No. of Customers	MWH	Base Revenue[1]	Base Revenue[1]	($000)	%	Present (¢)/kWh	Proposed (¢)/kWh
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (6)-(5)	(9) (7)/(5)	(10) (5)/(4)	(11) (6)/(4)
	Residential Sales										
1	Residential Service	1	1	39,215	399,023	$35,002	$36,237	$1,235	3.53%	8.77	9.08
2	Residential Optional TOD	36	36	16,369	317,378	$22,475	$23,268	$793	3.53%	7.08	7.33
3	AGA-Revenue	--	--	--	--	$5	$5	$0	0.00%		
4	**Total Residential**			55,585	716,401	$57,482	$59,510	$2,028	3.53%	8.02	8.31
5	**Commercial & Industrial**										
6	General Service - Large Power	6	6	1,028	298,916	$17,411	$18,445	$1,034	5.94%	5.82	6.17
7	General Svc. - Lg. Power (R&F)	6A	6A	247	36,068	$2,340	$2,479	$139	5.94%	6.49	6.87
8	Subtotal-Schedule 6			1,275	334,984	$19,751	$20,924	$1,174	5.94%	5.90	6.25
9	General Service - Med. Voltage	8	6	2	2,848	$151	$160	$9	5.94%	5.32	5.63
10	General Service - High Voltage	9	9	12	130,895	$5,672	$6,009	$337	5.94%	4.33	4.59
11	Irrigation	10	10	5,331	697,666	$47,382	$48,201	$819	1.73%	6.79	6.91
12	Comm. & Ind. Space Heating	19	19	148	8,236	$553	$562	$10	1.73%	6.71	6.83
13	General Service	23	23	6,183	122,778	$9,710	$9,710	$0	0.00%	7.91	7.91
14	General Service (R&F)	23A	23A	1,383	18,166	$1,515	$1,515	$0	0.00%	8.34	8.34
15	Subtotal-Schedule 23			7,567	140,944	$11,225	$11,225	$0	0.00%	7.96	7.96
16	General Service Optional TOD	35	35	3	2,587	$122	$130	$7	5.94%	4.73	5.01
17	Special Contract-Monsanto			1	1,319,624	$53,545	$53,545	$0	0.00%	4.06	4.06
18	Special Contract-Nu West			1	109,115	$4,239	$4,239	$0	0.00%	3.88	3.88
19	AGA-Revenue	--	--	--	--	$477	$477	$0	0.00%		
20	**Total Commercial & Industrial**			14,340	2,746,900	$143,117	$145,472	$2,355	1.65%	5.21	5.30
21	**Total Commercial & Industrial (Excluding Monsanto)**			14,339	1,427,276	$89,571	$91,926	$2,355	2.63%	6.28	6.44
22	**Public Street Lighting**										
23	Security Area Lighting	7	7	239	284	$104	$104	$0	0.00%	36.72	36.72
24	Security Area Lighting (R&F)	7A	7A	195	138	$54	$54	$0	0.00%	39.41	39.41
25	Street Lighting - Company	11	11	32	121	$52	$52	$0	0.00%	43.10	43.10
26	Street Lighting - Customer	12	12	294	1,974	$370	$370	$0	0.00%	18.75	18.75
27	AGA-Revenue	--	--	--	--	$0	$0	$0	0.00%		
28	**Total Public Street Lighting**			760	2,517	$581	$581	$0	0.00%	23.08	23.08
29	**Total Sales to Ultimate Customers**			70,685	3,465,818	$201,180	$205,562	$4,383	2.18%	5.80	5.93
30	**Total Sales to Ultimate Customers (Excluding Monsanto & Nu-West)**			70,683	2,037,079	$200,698 $143,395	$147,778	$4,383	3.06%	7.04	7.25

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Proposed Rates for PacifiCorp Settlement[1]

	Present Rates			Settlement Rates			Settlement Stipulation
Rate Schedule	**Customer Charge**	**Demand Charge (per kW)**	**Energy Rate (¢/kWh)**	**Customer Charge**	**Deman d Charge (per kW)**	**Energy Rate (¢/kWh)**	**Billing Determinant % Increase**
Residential							3.53%
Sch. 1[2]							
May-October	see below	N/A	10.0505	see below	N/A	10.4053	
November-April	see below	N/A	7.7380	see below	N/A	8.0112	
May-October (Single Phase)	$10.27			$10.63			
November-April (Single Phase)	$10.27			$10.63			
May-October (Three Phase)	$30.81			$31.90			
November-April (Three Phase)	$30.81			$31.90			
May-October (Single Phase, Non Year-Rour	$14.35			$14.86			
November-April (Single Phase, Non Year-Rc	$14.35			$14.86			
May-October (Three Phase, Non Year-Rour	$43.05			$44.57			
November-April (Three Phase, Non Year-Rc	$43.05			$44.57			
Sch. 36							
May-October, On-Peak	$13.17	N/A	10.9602	$13.63	N/A	11.3471	
May-October, Off-Peak	$13.17	N/A	3.7401	$13.63	N/A	3.8721	
November-April, On-Peak	$13.17	N/A	9.3625	$13.63	N/A	9.6930	
November-April, Off-Peak	$13.17	N/A	3.4230	$13.63	N/A	3.5438	
General Service							5.94%
Sch. 6/6A							
May-October, Secondary	$29.17	$10.68	2.9564	$30.90	$11.31	3.1320	
May-October, Primary	$87.51	$10.68	2.9564	$92.71	$11.31	3.1320	
November-April, Secondary	$29.17	$8.79	2.9564	$30.90	$9.31	3.1320	
November-April, Primary	$87.51	$8.79	2.9564	$92.71	$9.31	3.1320	
Sch. 9							
May-October	$282.89	$7.40	3.0561	$299.69	$7.84	3.2376	
November-April	$282.89	$5.60	3.0561	$299.69	$5.93	3.2376	
Sch. 19							1.73%
May-October	$19.82	N/A	7.7373	$20.16	N/A	7.8712	
November-April	$19.82	N/A	5.7332	$20.16	N/A	5.8324	
Sch. 35							5.94%
Secondary	$51.44	$12.67	3.7745	$54.50	$13.42	3.9987	
Primary	$126.72	$12.67	3.7745	$134.25	$13.42	3.9987	
Irrigation							1.73%
Sch. 10							
15 hp or less	$11.54	$4.48	see below	$ 11.74	$ 4.56	see below	
16 hp or more	$33.54	$4.48	see below	$ 34.12	$ 4.56	see below	
Post-Season	$17.76	N/A	5.9281	$ 18.07	N/A	6.0307	
First 25,000 kWh			7.0083			7.1295	
Next 225,000 kWh			5.1843			5.2740	
All Additional kWh			3.8419			3.9084	

[1] No rate changes for Schedules 23/23A,and Public Street Lighting (7/7A, 11, 12)

[2] Customer Charge denotes Monthly Minimum Charge

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R. Lobb, Staff
2/25/09

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 25TH DAY OF FEBRUARY 2009, SERVED THE FOREGOING **DIRECT TESTIMONY OF RANDY LOBB IN SUPPORT OF STIPULATION,** IN CASE NO. PAC-E-08-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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