

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)	<u>DOCKET NO. 03-2035-02</u>
PacifiCorp for Approval of its)	
Proposed Electric Service Schedules)	
and Electric Service Regulations)	<u>REPORT AND ORDER</u>

ISSUED: January 30, 2004

SHORT TITLE

PacifiCorp 2003 General Rate Case

SYNOPSIS

The Commission approves a Revenue Requirement Stipulation increasing Pacificorp's annual revenue requirement by \$65 million, effective April 1, 2004, based on an adjusted April 2002 - March 2003 test year and an allowed rate of return on equity of 10.7 percent. The Commission also approves a Revenue Spread and Rate Design Stipulation in which the revenue increase is generally spread to customer classes on an even percentage basis with the exception of the Irrigation customers, who receive the overall average jurisdictional increase, and Schedule 23, General Service-Distribution-Small customers, who receive one-half the overall average jurisdictional increase.

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APPEARANCES

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Michael L. Ginsberg Assistant Attorney General	"	Division of Public Utilities
Reed Warnick Assistant Attorney General	"	Committee of Consumer Services
Gary A. Dodge Attorney at Law Hatch, James & Dodge	"	Utah Association of Energy Users
F. Robert Reeder Attorney at Law Parsons, Behle & Latimer	"	Utah Industrial Energy Consumers
Major Craig T. Paulson Attorney at Law	"	United States Executive Agencies
Thomas W. Forsgren Attorney at Law	"	American Association of Retired People
Jeff Fox	"	Utah Legislative Watch, Crossroads Urban Center and Salt Lake Community Action Program
Paul Mecham	"	Light and Truth

I. PROCEDURAL HISTORY

On May 1, 2002 the Commission issued an order, in response to a March 28, 2002 filed stipulation and after a hearing, approving the stipulation resolving PacifiCorp (“Company”) dockets 01-035-23, 01-035-29 and 01-035-36. The stipulation provided for the ending of the Schedule 95 surcharge on rates on March 31, 2004 as well as certain limitations (test year and rate effective date) on future rate increase proceedings that apply to the current docket.

On April 4, 2003, PacifiCorp and the Division of Public Utilities (“Division”) filed a joint Motion for Approval of the Test Period and Scheduling Stipulation and Issuance of Notice. Parties to this Stipulation are: PacifiCorp, Division, Committee of Consumer Services (“Committee”), Utah Association of Energy Users (“UAE”), United States Executive Agencies (“USEA”), Utah Farm Bureau Federation (“Farm Bureau”) and Crossroads Urban Center. On April 7, 2003 the Commission issued a notice of the hearing on the Joint Motion. This Stipulation was presented to the Commission at a hearing on April 16, 2003. PacifiCorp and the Division presented testimony in support of this Stipulation. No party presented any testimony in opposition to this Stipulation.

On May 6, 2003, the Commission issued an order approving, with modifications to the proposed schedule, the Test Period and Scheduling Stipulation which resolves test period, scheduling and rate effective date issues. This Stipulation provides for a 12 month test period ending March 31, 2003 that includes average customers, average loads and average rate base. Parties could propose annualizing and normalizing adjustments, but any known and measurable adjustments would be limited to those that reflect changes that have occurred, or will occur on or

before January 1, 2004. This Stipulation further provides that rates be made interim and become effective January 1, 2004, but not begin to be collected from customers until April 1, 2004. Any amounts due or refunds owed for the January 1, 2004 through March 31, 2004 period are to be collected or refunded through a surcharge or credit on customer bills. This last provision regarding the January through March period was altered by another stipulation that is discussed later.

On May 15, 2003, PacifiCorp filed an application for a rate increase of \$125 million. The application includes cost of capital testimony and a preliminary list of proposed revenue requirement adjustments. On July 31, 2003, PacifiCorp filed direct revenue requirement testimony to supplement the previously filed cost of capital testimony. On September 15, 2003, PacifiCorp filed direct class cost of service, rate spread and rate design testimony. On October 15, 2003, PacifiCorp filed supplemental testimony updating its revenue requirement filing. On October 31, 2003, PacifiCorp filed supplemental testimony updating its class cost of service, rate spread and rate design filing.

Parties to this case are the Division, Committee and the following interveners: UAE, Utah Industrial Energy Consumers (“UIEC”), USEA, American Association of Retired People (“AARP”), Utah Legislative Watch, Crossroads Urban Center, Salt Lake Community Action Program (“SLCAP”), Light and Truth, The Kroger Company, Farm Bureau, International Brotherhood of Electrical Workers - Local 57, US Magnesium LLC, and Nucor Steel.

On December 2, 2003 the Commission, based on a motion for additional time, issued an order delaying the filing dates for revenue requirement direct and rebuttal testimony. On December 5, 2003 the Commission, based on a second motion asserting that parties were

engaged in useful discussions and needed more time, issued an order vacating the revenue requirement schedule.

On December 9, 2003, PacifiCorp filed its Motion for Approval of the Revenue Requirement Stipulation and Issuance of Notice. Parties to this Stipulation are: PacifiCorp, Division, Committee, UIEC, UAE, USEA, and AARP. On December 11, 2003 the Commission issued a notice of the hearing on the motion.

The Revenue Requirement Stipulation was presented to the Commission at a hearing on December 17, 2003. At the hearing, John Stewart, for PacifiCorp, Judith Johnson, for the Division, and Dan Gimble, for the Committee, presented testimony in support of this Stipulation. No party presented any testimony in opposition to this Stipulation. Although not signatories to this Stipulation, Crossroads Urban Center, SLCAP, and the Farm Bureau indicated they did not oppose this Stipulation. The Commission questioned the parties and witnesses regarding various aspects of this Stipulation and the evidence presented. The Commission ruled from the bench approving the Revenue Requirement Stipulation (Appendix I).

On January 7, 2004, PacifiCorp filed its Motion for Approval of the (Revenue Spread and Rate Design) Stipulation and Issuance of Notice. Parties to this Stipulation are: PacifiCorp, Division, Committee, UIEC, Crossroads Urban Center, SLCAP, Utah Legislative Watch, UAE, USEA, AARP and The Kroger Co. On January 9, 2004 the Commission issued a notice of the hearing on the motion and an order vacating the class cost of service, rate spread and rate design schedule.

The Revenue Spread and Rate Design Stipulation was presented to the Commission at a hearing on January 15, 2003. At the hearing, John Stewart, for PacifiCorp, Judith Johnson and

Dr. George Compton, for the Division, Dan Gimble, for the Committee, and Jeff Fox, for Crossroads Urban Center, SLCAP and Utah Legislative Watch presented testimony in support of this Stipulation. Paul Mecham, for Light and Truth, presented testimony opposing paragraph 14 of this Stipulation which relates to the Home Electric Lifeline Program (“HELP”). No other party presented testimony opposing this Stipulation. The Commission questioned the parties and witnesses regarding various aspects of this stipulation and the evidence presented. The Commission denied Light and Truth’s request to address the HELP program issues in this docket because those issues will be considered in Docket No. 03-035-01.

II. ADJUSTED TEST YEAR REVENUE REQUIREMENT

A. REVENUE REQUIREMENT STIPULATION

Without modifying its terms in any way, the following is a brief summary of the Revenue Requirement Stipulation (Appendix I). The parties to this Stipulation agree that, effective April 1, 2004, PacifiCorp should be authorized to increase its Utah jurisdictional revenue requirement by \$65 million. PacifiCorp agrees that the \$65 million increase provides it with a reasonable opportunity to earn the 10.7 percent stipulated authorized return on common equity and overall return on Utah rate base of 8.427 percent. The capital structure used for the purposes of this Stipulation is composed of 51.55 percent long-term debt, with a cost of 6.40 percent, 1.41 percent preferred stock, with a cost of 6.75 percent, and 47.04 percent common stock. The parties to this Stipulation agree that it is in the public interest and that all of its terms and conditions are fair, just and reasonable.

In addition to these provisions, this Stipulation also requires PacifiCorp to complete a line loss study by April 1, 2004, and a lead/lag study at least 60 days prior to filing the

application for its next general rate increase in Utah. This Stipulation also requires PacifiCorp to update its coal procurement policies and procedures by September 30, 2004, and to provide a report of updates that are made to its GRID model as they are completed. This Stipulation also provides the Committee with access to PacifiCorp's books and records for a limited period and addresses the effective date of an interim rate decrease decision.

B. DISCUSSION AND FINDINGS

Seven parties representing a diversity of interests signed the Revenue Requirement Stipulation. PacifiCorp, the Division and the Committee provide testimony recommending that the Commission approve the Revenue Requirement Stipulation. They testify that it is just and reasonable in result and in the public interest. PacifiCorp testifies to extensive discovery of its proposed rate increase by parties in the case. The Division testifies that it did an extensive review and analysis of the Company's proposed rate increase. Following the exchange among parties of their initial lists of adjustments to the Company's proposed rate increase, the three parties testify to numerous settlement negotiations that were open to all parties and which resulted in the Revenue Requirement Stipulation. A key reason for the increase is the Company's increased investment in infrastructure along the Wasatch Front to meet growing demand. For example, PacifiCorp's Quantum Leap Program represented a major investment in Utah distribution plant, while the Gadsby plant and West Valley plant lease represented major investments in electric generation. The Division and Committee testified that they each found bona fide cost adjustments that support a \$65 million increase in revenue requirement. No party of record provided testimony in opposition to the stipulated revenue requirement increase.

After examining the Stipulation and the evidence contained in the record, the Commission concludes that its terms are just and reasonable and it is just and reasonable in result. Based upon the foregoing, the Commission approves the Stipulation.

III. PRICING: REVENUE SPREAD AND RATE DESIGN

A. STIPULATED REVENUE SPREAD

The following is a brief summary of the Revenue Spread and Rate Design Stipulation (Appendix II) with respect to the spread of the revenue increase to rate schedules. The adjusted test year revenues were \$933.164 million. There is no revenue increase for four industrial contract customers who account for \$54.308 million in revenues and three lighting contract customers who account for \$0.039 million in revenues. The Annual Guarantee Adjustment (line extension contract payments) revenues were \$1.784 million. Thus the \$65.034 million increase is spread over the remaining \$877.032 million in adjusted test year revenues, amounting to a 7.42 percent increase, termed the “overall average jurisdictional increase.”

There is no revenue increase for Schedule 12: Outdoor Lighting and Schedule 21: Electric Furnace Operations. Schedule 10: Irrigation and its time-of-day option receive the overall average jurisdictional increase, or an increase of approximately \$0.619 million. Schedule 23: General Service-Distribution-Small receives one-half the overall jurisdictional increase, or an increase of approximately \$2.45 million. The remaining \$61.965 million revenue increase is then spread on an even percentage basis to the remaining rate schedules, which account for \$801.64 million in adjusted test year revenues. This results in approximately a 7.73 percent revenue increase for each of the remaining rate schedules. Thus the revenues of Schedule 1: Residential are increased by \$26.386 million, Schedule 6: General Service-Distribution Voltage

by \$24.886 million, and Schedule 9: General Service-High Voltage by \$8.633 million. The details of the revenue spread to rate schedules are presented in Appendix III.

B. STIPULATED RATE DESIGN

The following is a brief summary of the Revenue Spread and Rate Design Stipulation with respect to the design of rates by rate schedule.

Schedule 1: Residential currently has a single energy rate during the winter season, October through April, and a two-block energy rate during the summer season, May through September, with the first block for usage up to 400 kiloWatt hours (kWh) and the second block for all usage above 400 kWh. This Stipulation introduces a third block during the summer season, for all usage above 1,000 kWh. The energy rate for all usage during the winter season and for the first block of the summer season, for usage up to 400 kWh, is 6.663 cents per kWh. The energy rate for the second block of the summer season, for usage between 400 and 1,000 kWh, is 7.6 cents per kWh. The new energy rate for all summer usage above 1,000 kWh is 9 cents per kWh.

Currently Schedule 6: General Service-Distribution Voltage and Schedule 9: General Service-High Voltage have a single demand charge, \$8.10 per kiloWatt (kW) for Schedule 6 and \$6.02 per kW for Schedule 9. This Stipulation introduces a summer season rate, for the months of May through September, and a winter season rate, for the months of October through April. The revenue increases for these classes are obtained by increases in the demand rates only. These rates are designed so that 50 percent of the demand-related revenues are collected during the summer season and 50 percent are collected during the winter season. For Schedule 6, this results in a summer demand rate of \$10.66 per kW and a winter demand rate of \$8.56 per kW.

For Schedule 9, this results in a summer demand rate of \$8.72 per kW and a winter demand rate of \$6.35 per kW. Schedule 9B, an optional energy time-of-day schedule, is eliminated and its customers moved to Schedule 9.

Schedule 23: General Service-Distribution Voltage currently has a single rate for demands in excess of 15 kW, and a two-block energy rate, with the first block for usage up to 1,500 kWh. Because small customers on this schedule, customers with demands of 15 kW or less, are not demand metered, this Stipulation increases both demand and energy rates by approximately the same percentage basis. This Stipulation introduces a summer and winter difference in both demand and energy rates, with 50 percent of the demand-related revenues to be collected during the summer season and the other 50 percent collected during the winter season. The existing demand rate is \$5.58 per kW, and the new summer demand rate is \$6.03 per kW and the winter demand rate is \$6.08 per kW. The current energy charge is 7.5316 cents per kWh for usage up to 1,500 kWh, and 4.2227 cents per kWh for all usage above 1,500 kWh. This Stipulation keeps the energy rates of the winter season at their current levels, but raises the rate for the first block in the summer season to 8.1827 cents per kWh and raises the rate for the second block in the summer season to 4.5876 cents per kWh.

For Schedule 10: Irrigation, the On-Peak demand charge is increased to \$4.54 per kW, the energy rate for usage up to 30,000 kWh is increased to 4.5123 cents per kWh, the energy rate for usage in excess of 30,000 kWh is increased to 3.3352 cents per kWh, and the post-season energy rate is increased to 3.0907 cents per kWh.

The current Schedule 2: Residential Time-of-Day Option is to be closed. The existing customers served under this schedule are moved to and priced at the new Schedule 1

rates. A new experimental Schedule 2: Residential Time-of-Use Option is introduced. This schedule will be available during the summer season, during the months May through September. The On-Peak period is defined to be between the hours of 1 p. m. and 8 p. m., Monday through Friday, except holidays. This schedule will be available to up to 1,000 customers on a first-come, first served basis. This limit is subject to review after 750 customers have enrolled. The rates for the new Schedule 2 will be determined using the Company's proposed rate method of applying on-peak charges and off-peak credits to the standard Schedule 1: Residential service. After September 2005, the Company and the parties to this Stipulation will review the results of this new schedule and the Company may propose changes to this rate design.

This Stipulation also calls for an increase in the Schedule 300 residential reconnection charges from \$25 to \$30 during normal business hours and from \$37 to \$75 during all other hours, and introduces a new \$15 field visit charge.

The stipulation states that the parties will meet, as a part of the DSM Taskforce, with the Cool Keeper (air conditioner direct load control) program manager and the contracted program providers by no later than January 2004 to discuss whether there are additional incentives, based on the economics of this program, that could be provided to replace the structure of the current program. This Stipulation also calls for the establishment of a task force in a separate docket to discuss alternative time and/or season-differentiated rate designs for Schedules 6 and 9 that might be proposed in the Company's next general rate case, with a report to be filed by July 31, 2004.

Finally, this Stipulation calls for no changes to HELP in this proceeding, and states that issues regarding HELP should be addressed in Docket No. 03-035-01.

The Company proposes in its testimony that Schedule 7 be closed to new customers. This issue is not addressed in this Stipulation, nor is it addressed by any of the parties at the hearing on the Revenue Spread and Rate Design Stipulation. In response to the Chairman's question, no one objected to the Company's proposal. Therefore the Commission approves the Company's proposal, and Schedule 7 will be closed to new customers.

C. DISCUSSION AND FINDINGS

The Revenue Spread and Rate Design Stipulation calls for no changes to HELP in this proceeding, and states that issues regarding HELP should be addressed in Docket No. 03-035-01 (in the Company's tariffs, HELP is Schedule 3, the Low-Income Lifeline service). This is the only component of this Stipulation to which there is an objection. Light and Truth moved to have its testimony admitted into this record, testimony which requests that HELP be reviewed in this docket. In the alternative, if the Commission chooses to not to review HELP in this docket, Light and Truth requests that the Commission immediately order the change of Docket 03-035-01 from an informal to a formal proceeding and simultaneously calendar a scheduling conference for Docket 03-035-01.

HELP was adopted by the Commission's May 24, 2000 Report and Order in Docket No. 99-035-10. That order required that HELP be monitored by the Division and that it be thoroughly audited within three years. The Division testifies that it expects its audit will likely be completed by mid-March of this year.

From the bench, the Commission denied the motion of Light and Truth as to admitting its testimony since the other parties have not had a chance to respond in this docket to that testimony. Light and Truth's testimony in this proceeding will be considered in Docket No. 03-035-01.

The Revenue Spread and Rate Design Stipulation is the result of extensive discovery by the parties of the Company's proposals in this case. Based on that discovery, parties prepared and exchanged their lists of proposed issues. Settlement negotiations, open to all parties representing diverse interests, were then held, resulting in this Stipulation. At the January 15, 2004 hearing, the Company and other parties testified in support of this Stipulation, and stated that the results of this Stipulation are just and reasonable. The sole exception is Light and Truth regarding HELP, which has been addressed above.

The Division and the Committee testify that significant growth in Utah's summer peak demand is a cause of the Company's higher supply cost in the summer season and that summer/winter rate differentials together with inverted block rates is a way to send consumers proper price signals. The Company's array of available conservation programs and the new residential optional time-of-use rate are intended to help consumers more efficiently manage their electricity usage.

The Commission finds and concludes that this Stipulation provides a fair and reasonable resolution of the revenue spread and rate design issues in this case and approves the Revenue Spread and Rate Design Stipulation as just and reasonable and in the public interest.

The Commission's approval of these Stipulations, as in similar cases, is not intended to establish any precedent by the Commission.

IV. ORDER

Wherefore, pursuant to our discussion, findings and conclusions made herein, we order:

1. The Revenue Requirement Stipulation is approved.
2. PacifiCorp shall file appropriate tariff revisions increasing Utah jurisdictional revenues by \$65 million.
3. The Revenue Spread and Rate Design Stipulation is approved.
4. A task force shall be established to discuss alternative time and/or seasonal-differentiated rate designs for Schedules 6 and 9 as specified in the Revenue Spread and Rate Design Stipulation.
5. The tariff revisions shall reflect the determinations regarding rate increases, charges and other rate design aspects for service schedules and other changes in rates, fees or charges designated and discussed in the Revenue Requirement Stipulation and the Revenue and Rate Design Stipulation. The Division shall review the tariff revisions for compliance with the terms of these Stipulations. The tariff revisions are effective April 1, 2004.

This Report and Order constitutes final agency action on PacifiCorp's May 15, 2003, Application. Pursuant to U.C.A. §63-46b-13, an aggrieved party may file, within 20 days after the date of this Report and Order, a written request for rehearing/reconsideration by the Commission. Pursuant to U.C.A. §54-7-15, failure to file such a request precludes judicial review of the Report and Order. If the Commission fails to issue an order within 20 days after the filing of such request, the request shall be considered denied. Judicial review of this Report

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and Order may be sought pursuant to the Utah Administrative Procedures Act (U.C.A. §§63-46b-1 et seq.).

DATED at Salt Lake City, Utah, this 30th day of January, 2004.

/s / Ric Campbell, Chairman

/s / Constance B. White, Commissioner

/s / Ted Boyer, Commissioner

Attest:

/s / Julie Orchard
Commission Secretary
G#36853

APPENDIX I: REVENUE REQUIREMENT STIPULATION

BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PACIFICORP for Approval of Its Proposed Electric Service Schedules & Electric Service Regulations	<u>DOCKET NO. 03-2035-02</u> <u>REVENUE REQUIREMENT</u> <u>STIPULATION</u>
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1. This Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to as the “Parties” and individually as “Party”).

I. INTRODUCTION

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

IV. BACKGROUND

3. On May 6, 2003, the Commission issued its order establishing a procedural schedule for this case and approving a stipulation which resolved test period and rate effective date issues (“Test Period Stipulation”).

4. On May 15, 2003, PacifiCorp filed, pursuant to Commission order, an application for a rate increase of no greater than \$125 million, together with preliminary revenue requirement data. On July 31, 2003, PacifiCorp filed direct revenue requirement testimony in support of a \$128.4 million increase. On October 15, 2003, PacifiCorp filed additional direct revenue requirement testimony to update its case to reflect corrections and revisions to known and measurable adjustments. Consequently, PacifiCorp's updated case was for a \$127.5 million increase in base prices. However, in accordance with the Test Period Stipulation, PacifiCorp's requested rate increase remains \$125 million.

5. On November 10, 2003, the Parties exchanged, pursuant to the Test Period Stipulation, their initial lists of proposed revenue requirement adjustments. Pursuant to the Test Period Stipulation, settlement negotiations began on November 14, 2003 and continued on November 19, 20, 24 and 25, 2003. The settlement negotiations were open to all parties.

6. As a result of the settlement negotiations, the Parties have reached a global settlement of all the revenue requirement issues in this case. The net effect of this Stipulation is an average jurisdictional revenue requirement increase of \$65 million.

IV. TERMS OF THE STIPULATION

7. Revenue Requirement. The Parties agree that PacifiCorp will be authorized to increase its Utah jurisdictional revenue requirement by \$65 million. PacifiCorp agrees that this stipulated increase in revenue requirement provides it with a reasonable opportunity to earn the stipulated authorized return. While the negotiations among the Parties produced an overall

revenue requirement settlement, the Parties were unable to reach complete agreement on specific revenue requirement adjustments comprising the \$65 million stipulated amount.

8. Cost of Capital. The Parties agree that PacifiCorp's authorized return on common equity for purposes of this Stipulation will be 10.7 %, and its overall authorized return on Utah rate base will be 8.427 %. The capital structure used for the purposes of this Stipulation is composed of 51.55 % long-term debt, with a cost of 6.40 %, 1.41 % preferred stock, with a cost of 6.75 %, and 47.04 % common stock. The Parties' agreement to use, for the purposes of this Stipulation, this cost of equity and capital structure does not in any way affect or limit the rights of any party to argue in a future proceeding for a different cost of equity or capital structure.

9. Interim Rate Decrease. If the Commission determines in response to an application, in accordance with U.C.A. §54-7-12(3)(a), that an interim rate decrease is justified, PacifiCorp agrees that said interim decrease can become effective on the date the application was filed. PacifiCorp's agreement to use such an effective date is for purposes of this Stipulation only and shall not extend beyond PacifiCorp's next Utah general rate case.

10. Effective Date. Under the terms of the Test Period Stipulation, the rates approved in this case were to become effective on January 1, 2004, but would be collected from customers beginning on April 1, 2004. The Parties agree that, notwithstanding the terms of the Test Period Stipulation, the \$65 million rate increase will become effective on April 1, 2004. The one-year surcharge specified in the Test Period Stipulation to collect the rate increase for the period January 1, 2004 through March 31, 2004 will not be necessary and PacifiCorp waives its right

under the Test Period Stipulation to collect any rate increase for the period January 1, 2004 through March 31, 2004.

11. Lead/Lag Study. PacifiCorp is currently working on a new lead/lag study. PacifiCorp agrees that it will complete and provide that study to the Parties at least 60 days prior to filing the application for its next general rate increase in Utah.

12. Line Losses Study. PacifiCorp agrees to complete and circulate a new line loss study to the Parties by April 1, 2004.

13. Fuel Procurement. PacifiCorp agrees to update its coal procurement policies and procedures by September 30, 2004. PacifiCorp agrees to discuss with the Division of Public Utilities and the Committee of Consumer Services a procedure for an independent review of PacifiCorp's mine closure and reclamation costs.

14. GRID.

(a) PacifiCorp will provide a report to the Parties of updates that are made to the Generation and Regulation Initiatives Decision Tools ("GRID") model as they are completed to keep them apprised of the current status of the model. This will occur until such time that the Parties mutually agree that it is no longer necessary.

(b) PacifiCorp has already addressed the dispatch and commitment logic issues associated with gas-fired units in its updated GRID, version 2.2. PacifiCorp will file a report with the Parties that demonstrates that the changes result in a realistic operation of the units.

15. Management Fee. Issues regarding the allocation of management fees among PacifiCorp and its affiliates will be addressed in Docket No. 03-035-26.

16. Audit. PacifiCorp will provide the Committee of Consumer Services with the access to PacifiCorp books and records it reasonably requires to determine if PacifiCorp is earning more than a 10.7% return on equity in its Utah jurisdiction. PacifiCorp's obligation to provide that access will begin on April 1, 2004, and shall terminate on the date a final order is issued in PacifiCorp's next Utah general rate case.

17. Insurance Reserve. In its direct revenue requirement testimony, PacifiCorp proposed to increase its current insurance reserve balance by \$13 million to a \$25 million reserve. This increase in insurance reserve has no impact on PacifiCorp's revenue requirement in this case and the Parties agree, for the purposes of this Stipulation, PacifiCorp can increase its insurance reserve to \$25 million.

18. Test Period Discussions. PacifiCorp, the Division of Public Utilities, the Committee of Consumer Services and other interested parties will meet to discuss the application of U.C.A. §54-4-4(3) to PacifiCorp's next Utah general rate case.

19. Obligations of the Parties. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

20. Recommendation and Support. The Parties recommend that the Commission adopt this Stipulation in its entirety. No Party shall appeal any portion of this Stipulation and no Party shall oppose the adoption of this Stipulation in any appeal filed by any person not a party to the Stipulation. PacifiCorp and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation, and other parties may make such witnesses available. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate in cross-examination and in providing testimony as necessary to rebut the testimony of opposing witnesses.

21. Reservation of Right to Withdraw from Stipulation. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by an appellate court, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding delivered no later than five (5) business days after the issuance date of the applicable Commission or court order, 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 undertake any steps it deems appropriate.

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

23. Waiver. No Party is bound 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 acknowledgement by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery, and 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.

Dated at Salt Lake City, Utah, this 30th day of January, 2004.

PACIFICORP

/s/ D. Douglas Larsen
Vice President, Regulation
PacifiCorp

UTAH DIVISION OF PUBLIC UTILITIES

/s/ Michael Ginsberg
Assistant Attorney General

COMMITTEE OF CONSUMER SERVICES

/s/ Dan Gimble
Chief of Technical Staff
Committee of Consumer Services

UNITED STATES EXECUTIVE AGENCIES

/s/ Major Craig Paulsen

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UAE INTERVENTION GROUP

/s/ Gary Dodge

UTAH INDUSTRIAL ENERGY CONSUMERS

/s/ F. Robert Reeder

AARP

/s/ Dale F. Gardiner

/s/ Thomas Forgren

APPENDIX II: REVENUE SPREAD AND RATE DESIGN STIPULATION

BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PACIFICORP for Approval of Its Proposed Electric Service Schedules & Electric Service Regulations	<u>DOCKET NO. 03-2035-02</u> STIPULATION
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1. This Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to as the “Parties” and individually as “Party”).

I. INTRODUCTION

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

II. BACKGROUND

3. On May 6, 2003, the Commission issued its order establishing a procedural schedule for this case and approving a stipulation which resolved test period and rate effective date issues (“Test Period Stipulation”).

4. After several days of settlement negotiations, parties reached an agreement on revenue requirement issues in this proceeding and filed a Revenue Requirement Stipulation on December 9, 2003. The net effect of the Revenue Requirement Stipulation is an average jurisdictional revenue requirement increase of \$65 million. The Commission approved the Revenue Requirement Stipulation orally at a hearing on

December 17, 2003 (“Order”). On September 15, 2003, in accordance with the terms of the Test Period Stipulation, PacifiCorp filed direct class cost of service, rate spread and rate design testimony. On October 31, 2003, PacifiCorp filed updates to its class cost of service and rate spread exhibits to update its case to reflect the known and measurable adjustments proposed by PacifiCorp in its October 15, 2003 revenue requirement filing. On December 9 and 11, 2003, parties exchanged their initial lists of proposed cost of service, rate spread and rate design issues. Settlement negotiations began on December 18, 2003 and continued on December 22 and 23, 2003. The settlement negotiations were open to all parties. As a result of those discussions, and based on their examination of testimony and data, and information disclosed through discovery, the Parties whose names appear on the signature pages hereof have resolved by settlement the issues identified below.

III. TERMS OF THE STIPULATION

6. Rate Spread. The Parties could not agree on a cost of service approach or study, and the Parties acknowledge generally that the rate increases agreed to herein may not fully reflect cost of service. The Parties have agreed to spread the rate increase on an even percentage basis to most classes, with certain exceptions described in this paragraph, and subject to an agreement that in PacifiCorp’s next Utah general rate case, PacifiCorp and other interested parties will undertake a thorough review of cost of service, rate spread and rate design issues. The Parties agree that the rate increase approved in the Order will be spread to customer classes in accordance with Exhibit A, attached hereto and incorporated herein. Specifically, the rate increase approved in the

Order will be spread on an even percentage basis to all customer classes with the following exceptions:

- (a) The increase for Schedules 10 and 10 Time-of-Use (Irrigation) is the overall average jurisdictional increase as specified in Exhibit A;
- (b) There is no increase for Schedule 12 (Outdoor Lighting) and Schedule 21 (Electric Furnace Operations); and
- (c) The increase for Schedule 23 (General Service – Distribution - Small) is one-half (1/2) of the overall average jurisdictional increase as specified in Exhibit A.

7. Schedule 1 - Residential Inverted Block Rates. The Parties agree that PacifiCorp will offer an inverted block rate with three blocks for the months May through September. The rate for the first block (first 400 kWh of monthly usage) will be \$0.06663 per kWh; the intermediate block rate (the next 600 kWh of monthly usage) will be \$0.076 per kWh; and the tail block rate (all additional kWh of monthly usage) will be \$0.09 per kWh. For the remaining months (October through April), the residential rate will be a flat rate of \$0.06663 per kWh for all kWh of monthly usage.

8. Schedule 2 - Residential Time-of-Use Rates.

- (a) The Parties agree that the optional, experimental residential time-of-use rate (Schedule 2) will be available during the months of May through September. During those months, the On-Peak period shall be the hours of one PM (MT) to eight PM (MT) Monday through Friday, except holidays. The Off-Peak period

shall be all other hours. Holidays include only New Year's Day, President's Day, Memorial Day, Independence Day, Pioneer Day, Labor Day, Thanksgiving Day, and Christmas Day. When a holiday falls on a Saturday or Sunday, the Friday before the holiday (if the holiday falls on a Saturday) or the Monday following the holiday (if the holiday falls on a Sunday) will be considered a holiday and consequently Off-Peak.

- (b) The Parties further agree that Schedule 2 will be available to up to 1000 customers on a first-come, first-served basis. PacifiCorp agrees, however, that once 750 customers have signed up for Schedule 2, it will engage in discussions with the Division of Public Utilities, Committee of Consumer Services and other interested parties regarding changes to Schedule 2. After such discussion, if it is deemed necessary by those parties and the Company, PacifiCorp will voluntarily and expeditiously file with the Commission for reasonable changes to relax the limitation on the number of customers who can sign up for Schedule 2.
- (c) The Parties agree to implement the Time-of-Use experimental tariff using the Company's proposed rate method of applying surcharges and surcredits to standard residential service Schedule 1. PacifiCorp agrees that after September 2005, it will review

program results with the Parties and may propose changes to this rate design based on these results.

9. Cool Keeper Program. The Parties agree that PacifiCorp, the Division of Public Utilities and other interested parties will meet as part of the DSM Taskforce by no later than the end of January 2004 with the Cool Keeper program manager and the contracted program providers to discuss whether there are additional incentives, based on the economics of this program, that could be provided to replace the structure of the current program.

10. Schedules 6 and 9:

- (a) The Parties agree that PacifiCorp will apply the applicable portion (as specified in Exhibit A attached hereto) of the \$65 million price change approved in the Order entirely to the demand charge as described in this paragraph. The demand charge for Schedules 6 and 9 is designed to provide for a seasonal rate differentiation between Summer (defined for purposes of this Stipulation as the period May through September inclusive) and Winter (defined for purposes of this Stipulation as the period October through April inclusive). The Summer and Winter demand charges are designed so that PacifiCorp will collect 50 percent of the Schedules 6 and 9 total demand revenues through the five Summer months and 50 percent of the Schedules 6 and 9 total demand revenues through the seven Winter months.

(b) The Parties agree to establish a taskforce with a separate docket number to discuss alternative time and/or season-differentiated rate designs for Schedules 6 and 9 that might be proposed in PacifiCorp's next Utah general rate case. The taskforce will have as one of its goals the development of cost-based rate designs for Schedules 6 and 9 which send proper price signals to manage peak demands on the PacifiCorp Utah system. The taskforce will meet as often as the parties determine is necessary, however, at a minimum the parties agree to the following schedule:

April 30, 2004:	Parties file initial rate design proposals
June 15, 2004:	Parties file responses to initial rate design proposals
July 31, 2004:	Taskforce files a consensus report to the Commission regarding its proposal regarding rate designs for Schedules 6 and 9. If the Taskforce does not reach a consensus position, the Parties may file individual reports with the Commission.

11. Schedule 23. The Parties agree to implement summer and winter seasonal demand rates for Schedule 23 (General Service-Distribution-Small). The Summer demand rate will collect 50 percent of the Schedule 23 demand revenues through the five Summer months, and the Winter demand rate will collect 50 percent of the Schedule 23

demand revenues through the seven Winter months. In addition, because small customers on Schedule 23 are not demand metered, the Parties agree to apply the price increase on a uniform percentage of revenue basis to both demand and energy revenues.

12. Schedule 33. PacifiCorp agrees to withdraw its request to eliminate Schedule 33 (Generation Replacement Service) in this case.

13. Schedule 300 and Regulation Changes. The Parties agree to increases in the Schedule 300 residential reconnection charges to \$30 during normal business hours and \$75 during all other hours. The Parties also agree to implement in Schedule 300 a new \$15 field visit charge as described in the September 15, 2003, PacifiCorp prefiled testimony of Carole Rockney.

14. HELP Program. The Parties agree that no changes to the HELP Program should be made in this proceeding. The Parties further agree that issues raised regarding the HELP Program should be severed from this proceeding and addressed in Docket No. 03-035-01. In so agreeing, the Parties do not waive their legal rights to contest or support the HELP Program or its terms or conditions in Docket No. 03-035-01. The Parties agree that such assessment should take place in Docket No. 03-035-01 after the Division of Public Utilities files its third report on the program.

15. Obligations of the Parties. The Parties agree that their obligations under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions.

16. Recommendation and Support. The Parties recommend that the Commission adopt this Stipulation in its entirety. No Party shall appeal any portion of

this Stipulation and no Party shall oppose the adoption of this Stipulation pursuant to any appeal filed by any person not a party to the Stipulation. PacifiCorp and the Division shall make witnesses available to provide testimony in support of this Stipulation, including testimony to explain the basis of their support for this Stipulation, and other parties may make such witnesses available. In the event other parties introduce witnesses opposing approval of the Stipulation, the Parties agree to cooperate in cross-examination and in providing testimony as necessary to rebut the testimony of opposing witnesses.

17. Reservation of Right to Withdraw from Stipulation. In the event the Commission rejects any or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, or in the event the Commission's approval of this Stipulation is rejected or conditioned in whole or in part by an appellate court, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding delivered no later than five (5) business days after the issuance date of the applicable Commission or court order, 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 undertake any steps it deems appropriate.

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

19. Waiver. No Party is bound 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

acknowledgement by any Party of the validity or invalidity of any particular method, theory or principle of regulation, cost recovery, cost of service or rate design, and no Party shall be deemed to have agreed that any method, theory or principle of regulation, cost recovery, cost of service or rate design 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.

20. Signatures. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

Dated at Salt Lake City, Utah, this 30th day of January, 2004.

PACIFICORP

/s/ D. Douglas Larson
Vice President, Regulation
PacifiCorp

UTAH DIVISION OF PUBLIC UTILITIES

/s/ Patricia E. Schmid
Assistant Attorney General

COMMITTEE OF CONSUMERS SERVICES

/s/ Dan Gimble
Chief of Technical Staff
Committee of Consumer Services

UTAH INDUSTRIAL ENERGY CONSUMERS

/s/ F. Robert Reeder

UNITED STATES EXECUTIVE AGENCIES

/s/ Major Craig Paulson

UAE INTERVENTION GROUP

/s/ Gary Dodge

CROSSROADS URBAN CENTER

/s/ Glenn Bailey

/s/ Jeff Fox

SALT LAKE COMMUNITY ACTION PROGRAM

/s/ Catherine C. Hoskins

/s/ Jim Russell

UTAH LEGISLATIVE WATCH

/s/ Charles E. Johnson

AARP

/s/ Dale F. Gardiner

/s/ Thomas Forsgren

THE KROGER CO.

/s/ Michael L. Kurtz

APPENDIX III. SPREAD OF REVENUE CHANGE

Rate Schedule	Current Revenue	Percent Change	Revenue Increase
1, Residential	\$329,701,660	7.77%	\$25,609,177
2, Residential Time-of-Day	\$8,941	-10.46%	(\$935)
3, Low-Income Lifeline	\$11,837,791	6.57%	\$777,362
6, General Service - Distribution - Large	\$321,541,642	7.74%	\$24,885,590
6A, Energy Time-of-Day	\$12,984,328	7.73%	\$1,003,048
6B, Demand Time-of-Day	\$760,090	7.66%	\$58,250
7, Security Area Lighting	\$2,481,856	7.72%	\$191,665
9, General Service - Transmission	\$111,712,026	7.73%	\$8,633,467
9A, Energy Time-of-Day	\$1,713,529	7.73%	\$132,382
9B, Demand Time-of-Day	\$765,222	8.95%	\$68,498
10, Irrigation, Non-Time-of-Day	\$7,779,941	7.43%	\$577,770
10, Irrigation, Time-of-Day	\$594,406	6.87%	\$40,809
11, Company-Owned Street Lighting	\$4,256,647	7.75%	\$329,764
12, Customer-Owned Street Lighting	\$1,938,926	7.73%	\$149,864
12, Traffic Signal Systems	\$642,595	7.72%	\$49,639
12, Metered Outdoor Nighttime Lighting	\$652,831	0.00%	\$0
13, Decorative Street Lighting	\$192,865	7.62%	\$14,695
21, Electric Furnace Operations	\$248,483	0.00%	\$0
23, General Service - Distribution - Small	\$66,117,067	3.71%	\$2,449,955
25, Mobile Home and House Trailer Park	\$571,720	7.72%	\$44,163
31, Back-Up, Maint. & Suppl., Primary Voltage	\$172,423	7.74%	\$13,338
31, Back-Up, Maint. & Suppl., @ Sch. 6	\$357,382	1.52%	\$5,415
Industrial Contracts	\$54,308,315	0.00%	\$0
Lighting Contracts	\$39,170	0.00%	\$0
Total	\$931,379,856	6.98%	\$65,033,916

Schedule 2 and 9B customers moved to and priced at new Schedule 1 and 9 rates, respectively.