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Office of Consumer Advocate Recommends Substantial Reduction to Rocky Mountain Power Rate Increase

CHEYENNE, WY – After months of painstaking review and analysis, the Office of Consumer Advocate (OCA) filed testimony yesterday recommending that the Wyoming Public Service Commission reduce Rocky Mountain Power's requested revenue increase from \$36 million dollars to \$14.9 million dollars. Overall, this equates to around a 60% reduction in Rocky Mountain Power's original request. Recommended reductions to the Company's requested increase relate primarily to the recommended level of profit the Company is allowed to earn and the expected level of fuel and purchased power expenses. Other concerns expressed included whether customers should be required to pay certain severance payments that were made to Company executives when PacifiCorp was acquired by Mid-American Energy Holdings Company in 2006.

"We have carefully reviewed the Company's request in this case and found that certain costs were in excess of the levels customers should be required to pay," said Bryce Freeman, Administrator of the OCA. "Rocky Mountain Power will still have the opportunity to earn a fair and reasonable return on its investment even at the reduced rate increase level recommended by the OCA." Under Wyoming law, utilities are entitled to earn a fair return on their investments and to recover prudently incurred expenses related to the provision of utility service.

The OCA also recommended denial of the Company's request to implement a marginal cost rate design. This proposal would have increased the price of service for large companies with significant growth. The Company argued in its application that the marginal cost pricing proposal is necessary to respond to unprecedented load growth in Wyoming that would more accurately align prices with the cost of serving the new loads. "We agree with the Company that rapid load growth in Wyoming presents challenges," Freeman said. "However, we think that more study of this proposal is required. It would be a significant policy change and we need to better understand its impacts on Wyoming customers."

Additionally, the OCA recommended denial of Rocky Mountain Power's request for a plan to impose a special surcharge on customers' bills to pay for new renewable energy investments such as wind generation. The OCA takes a favorable view of new generating investment in the state, but is opposed to recovering these costs outside of the normal rate review process. The OCA advocates that special surcharges should be reserved for unique circumstances, rather than routine investments made in the normal course of business.

The testimony filed by the OCA, as well as that filed by several other interested parties, will be reviewed by the Commission in hearings set to begin on March 3rd in Cheyenne. The Commission has also indicated that it intends to conduct public comment hearings at one or more locations throughout Rocky Mountain Power's Wyoming service territory prior to the commencement of the public hearing.