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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

<p>In the Matter of the Application of Rocky Mountain Power for Approval of Significant Energy Resource Decision Resulting from 2012 Request for Proposals</p>	<p>DOCKET NO. 08-035-95</p> <p><b>VERIFIED APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF SIGNIFICANT ENERGY RESOURCE DECISION AND FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY</b></p>
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Pursuant to Utah Code Ann. § 54-17-302 and Utah Admin. Code R746-430-2, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), hereby requests that the Commission approve its significant energy resource decision to construct Lake Side 2, a combined cycle combustion turbine (“CCCT”) generating plant, to be developed by Summit Vineyard, LLC (“Summit”), as developer, with CH2M Hill E&C, Inc. (“CH2M Hill”), as engineering, procurement, and construction contractor (“EPC”). In addition, pursuant to Utah

Code Ann. § 54-4-25, Rocky Mountain Power requests that the Commission issue a certificate of public convenience and necessity for the construction and operation of Lake Side 2.<sup>1</sup>

The basis for this Application is that Lake Side 2 is one of the lowest reasonable cost, qualifying resources resulting from the Company's Request for Proposals Base Load Resources ("2012 RFP") issued April 5, 2007 and approved by the Commission on April 4, 2007 in Docket No. 05-035-47. Based on the 2012 RFP process,<sup>2</sup> construction of Lake Side 2 is in the public interest as explained in the Confidential Testimony of Stefan A. Bird and the Confidential Testimony of Gregory N. Duvall ("Confidential Testimony") and the Testimony of Bruce N. Williams filed with this Application.

### **COMMUNICATIONS AND DISCOVERY**

1. Communications, including pleadings and other filings, regarding this Application should be addressed to:

David L. Taylor  
Utah Regulatory Affairs Manager  
Rocky Mountain Power  
201 South Main Street, Suite 2300  
Salt Lake City, Utah 84111  
[dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com)

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<sup>1</sup> In addition, to the extent necessary pursuant to Utah Admin. Code R746-401, the Company provides a report of its intent to begin construction of Lake Side 2 when its significant energy resource decision is approved and a certificate of public convenience and necessity is issued by the Commission. By this Application, Rocky Mountain Power also seeks any other approvals or authority from the Commission necessary to proceed with the construction and operation of Lake Side 2.

<sup>2</sup> Since the inception of the 2012 RFP process and receipt of bidder proposals, market conditions and general economic conditions have changed significantly. The market is currently in a state of flux and prices are falling; however, the Company cannot predict the long-term implications of current market conditions on resource costs.

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2. Rocky Mountain Power requests that any data requests regarding this Application be addressed to:

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

Informal inquiries may be directed to David L. Taylor at (801) 220-2923.

### **BACKGROUND**

3. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation. The Company is authorized to do business in the state of Utah and is an electrical corporation holding a certificate of public convenience and necessity issued by the Commission authorizing it to provide electric service in many parts of the state of Utah. Rocky Mountain Power currently provides electric service to approximately 780,000 customers in the state of Utah and is an affected electrical utility as defined in the Energy Resource Procurement Act, codified as Chapter 17 of Title 54 of the Utah Code (“Act”). Rocky Mountain Power also provides electric service to customers in Idaho and Wyoming. Pacific Power, another division of PacifiCorp, provides electric service to customers in California, Oregon and Washington. Rocky Mountain Power and Pacific Power share generation and transmission resources for the Company’s east and west control areas (“System”) under the PacifiCorp Inter-Jurisdictional Cost Allocation Protocol effective June 1, 2004 (“Revised Protocol”).

4. The Company's need to acquire or purchase new or incremental System-wide resources to serve its growing customer base and increasing demand for electricity and to replace long-term resources provided through contracts that are expiring has been well established in its integrated resource plans ("IRP"), request for proposals ("RFP") approval applications and other proceedings before the Commission. Customer growth and increasing loads, coupled with environmental requirements, improved reliability expectations from customers and loss of long-term contract resources, are drivers for new utility plant investments and pursuit of resource development through the 2012 RFP.

5. Pursuant to the Act, on July 11, 2006, the Company filed a modified proposal, seeking approval of the proposed 2012 RFP in Docket No. 05-035-47. On April 4, 2007, the Commission approved the 2012 RFP with some modifications, including increasing the resource need from 840 megawatts ("MW") up to 1,700 MW of generation.

6. The Company proceeded to issue the 2012 RFP as approved by the Commission on April 5, 2007, under the oversight of Merrimack Energy Group, Inc., the independent evaluator ("IE") appointed by the Commission.<sup>3</sup> Proposals were submitted by various bidders by June 29, 2007. In addition, the 2012 RFP included three benchmark proposals submitted by the Company. On December 27, 2007, after completion of the RFP analysis and in consultation with the IEs, the Company received the IEs' concurrence on the top-tier conditional final shortlist. The top-tier conditional final shortlist bidders were notified of their selection. The conditional final shortlist was then narrowed to the proposal for Lake Side 2. The Company proceeded to negotiate the Master Development, Engineering, Procurement and Construction Agreement ("Agreement") with Summit and CH2M Hill and the Managed Long Term Gas Turbine Parts and

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<sup>3</sup> The 2012 RFP was also conducted under the oversight of Boston Pacific Company, Inc., the IE appointed by the Oregon Public Utility Commission.

Services Contract for Lake Side Block 2 (“Long Term Program” or “LTP”) with Siemens Energy, Inc. (“Siemens”). The Company consulted with the IEs throughout negotiations. The parties recently executed the Agreement and the LTP, subject to regulatory approval.

7. Given the commercially sensitive nature of the information regarding the 2012 RFP and the terms and conditions of construction and operation of Lake Side 2,<sup>4</sup> but cognizant of the Commission’s desire for public disclosure of non-confidential information, Rocky Mountain Power will provide general, non-confidential information regarding the 2012 RFP and Lake Side 2 in this Application and the Testimony of Mr. Williams. More detailed, confidential information, including copies of the Agreement and LTP, will be provided in the Confidential Testimony filed with this Application. The Confidential Testimony will be made available to interested parties under the terms of the Protective Order issued by the Commission in this docket.

### **APPROVAL OF CONSTRUCTION**

8. Lake Side 2 is a CCCT generating plant, to be developed by Summit, as developer, with CH2M Hill, as EPC. Lake Side 2 will include Siemens SGT6-5000F combustion turbine generators. Lake Side 2 will have a capacity of 607 megawatts (“MW”).<sup>5</sup> It will be located adjacent to the Company’s existing Lake Side Plant in Vineyard, Utah County, Utah. A more complete description of Lake Side 2 and the total projected costs for the construction of Lake Side 2 are provided in the Confidential Testimony.

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<sup>4</sup> The Agreement and LTP include confidentiality provisions. The provisions allow the Company to disclose information in connection with regulatory filings and documents in sufficient detail to gain approval of the project, but the Company must disclose the information under terms and conditions that will preserve its confidentiality to the greatest extent possible. In addition, maintaining confidentiality is an extremely important aspect of the ongoing RFP process.

<sup>5</sup> 524 MW base load with 83 MW of duct firing for a total capacity of 607 megawatts at 52 degrees Fahrenheit (new and clean).

9. Based on the 2012 RFP process,<sup>6</sup> construction and operation of Lake Side 2 is in the public interest for several reasons:

a. Lake Side 2 is the result of a competitive procurement process, conducted consistent with the requirements of the Act under the oversight of the IEs. The Confidential Testimony provides summaries of all bids received in the 2012 RFP; summaries of the Company's rankings and evaluations of the bids; and identification of all information, data models, and analyses used by the Company to evaluate and rank the bids, including the Lake Side 2 bid.

b. A copy of the complete 2012 RFP with appendices and attachments;<sup>7</sup> copies of all reports relating to the solicitation process made by the IE; and a signed acknowledgment by an officer of the Company that to the best of his knowledge the Company fully observed and complied with the requirements of the Commission's rules and the statutes applicable to the solicitation process are provided as Attachments 1 through 6 to this Application.

c. As explained in more detail in the Confidential Testimony, even with the addition of the Chehalis Plant, approved in Docket No. 08-035-35, and based on recently updated forecasts considering the impact of the current recession on projected loads, the Company is still expected to be substantially short of capacity on a system-wide basis in 2012, in part as a result of expiration of long-term capacity contracts. Lake Side 2 will be

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<sup>6</sup> See footnote 2.

<sup>7</sup> The 2012 RFP with appendices and attachments is in excess of 1,200 pages in length. It is part of the Commission's files in Docket No. 05-035-47 and has been previously provided to interested parties in that docket. In addition, it is and has been available on PacifiCorp's website since April 5, 2007. Accordingly, the Commission Secretary agreed with the Company that it would be unnecessary and wasteful to file paper copies of the 2012 RFP with this Application. Instead, a link to the 2012 RFP is provided in Attachment 1 to this Application.

added as a System resource and will provide capacity and energy to the Company and its customers to help meet the required resource needs. Lake Side 2 or a similar resource is needed to maintain a 12 percent reserve margin in 2012.

d. Lake Side 2 was identified as one of the best resources available through the 2012 RFP process. Based on that process, Lake Side 2 will provide cost-effective capacity and energy to customers, as adjusted for the related risk costs as explained in the Confidential Testimony.<sup>8</sup>

e. Based on the 2012 RFP process, the Agreement and LTP are fair and reasonable.<sup>9</sup> The Agreement and LTP are provided as exhibits to the Confidential Testimony.

f. The information, data, models and analyses used by the Company to evaluate the construction and operation of Lake Side 2 demonstrate that construction and operation of Lake Side 2 is in the public interest and will be beneficial to the Company's customers.<sup>10</sup> This information is provided in the Confidential Testimony.

g. An analysis of the costs associated with Lake Side 2 and the portfolios which include Lake Side 2 as compared with the cost of the alternative resource portfolios demonstrates that construction and operation of Lake Side 2 should increase customer revenue requirement by a smaller amount than alternative resource portfolios in

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<sup>8</sup> As noted in footnote 2, market conditions and general economic conditions have changed significantly since the 2012 RFP was issued and bids were submitted. In light of the cost of Lake Side 2 compared with the cost of other recently acquired plants and current market conditions, the Company has structured the Agreement to provide the Company with the option to terminate at no cost prior to issuance of the limited notice to proceed ("LNTP") and to terminate with limited cost prior to issuance of the final notice to proceed ("FNTP"). The Company intends to evaluate bids submitted in the 2008 All Source RFP for potentially lower cost alternatives before issuing the LNTP and FNTP.

<sup>9</sup> See footnote 8.

<sup>10</sup> See *id.*

the 2012 RFP. In addition, construction and operation of Lake Side 2 will provide customer reliability by maintaining a 12 percent reserve margin. Therefore, construction and operation of Lake Side 2 will be beneficial to the Company's customers and in the public interest. The analysis is provided in the Confidential Testimony.

h. The Company has the ability to construct and operate Lake Side 2 without impairing its credit or financial viability, as demonstrated in the Testimony of Mr. Williams.

10. Construction and operation of Lake Side 2 is consistent with public convenience and necessity for several reasons:

a. Construction and operation of Lake Side 2 is in the public interest for all of the reasons previously stated.

b. Construction and operation of Lake Side 2 will not conflict or interfere with or adversely affect the operation of any other public utility or constitute an extension into the territory served by any such public utility holding a certificate of public convenience and necessity from the Commission.

c. Upon approval by the Commission of this Application, the Company, with its contractors, will diligently pursue and endeavor to obtain all permits, including securing an air approval order from the Utah Division of Air Quality, necessary to construct and operate Lake Side 2.

11. As explained more fully in the Confidential Testimony, in order for Summit and the EPC to guarantee substantial completion of Lake Side 2 by July 1, 2012, the Agreement requires as a first step that the Company issue the LNTP by the morning of March 2, 2009 and as a second step that the Company issue the FNTP by June 1, 2009. Rocky Mountain Power does



not intend to issue the LNTP prior to Commission approval of this Application. In order for the Company to issue the LNTP by the morning of March 2, 2009, the Commission would need to issue its order approving the Application by February 27, 2009. Utah Code Ann. § 54-17-302(5) provides:

Unless the commission determines that additional time to analyze a significant energy resource decision is warranted and is in the public interest, within 120 days of the day on which the affected electrical utility files a request for approval, the commission shall:

- (a) approve the significant energy resource decision;
- (b) approve the significant energy resource decision subject to conditions imposed by the commission; or
- (c) disapprove the significant energy resource decision.

120 days from the date of this Application is April 2, 2009. In order to maintain a substantial completion date of July 1, 2012 in compliance with the terms of the Agreement, the Company respectfully requests that the Commission approve the acquisition of Lake Side 2 and grant the requested certificate of public convenience and necessity by February 27, 2009, if reasonably possible. The Company recognizes that completion of the approval process by February 27, 2009 may be difficult, but informs the Commission and parties of the Agreement milestones necessary for substantial completion of Lake Side 2 by July 2012. Regardless, given the cost of Lake Side 2 and current market conditions, the Company will work with the Commission and interested parties to ensure all are fully informed of developments with respect to Lake Side 2.

12. As more fully explained in the Confidential Testimony, assuming the LNTP is issued by March 2, 2009, the Company will incur certain costs after the LNTP is issued and before certain required permits are received that are necessary to issue the FNTP by June 1, 2009. The Company intends to seek recovery of such costs in rates as prudent costs necessary to attempt

to construct Lake Side 2. The Company cannot reasonably proceed with this project if the Commission fails to approve recovery of these costs.

13. Rocky Mountain Power has complied with all requirements of the Act and the Commission's rules issued under the Act in connection with this Application.

### **REQUEST FOR RELIEF**

WHEREFORE, Rocky Mountain Power requests that the Commission:

1. Notice a scheduling conference to set a schedule for:
  - a. A confidential technical conference to be held at the earliest available date at which the Company may explain the milestones in the Agreement and the incurrence of costs prior to receipt of all required permits to the Commission and parties entitled to receive confidential information.
  - b. Such other technical conferences as may be deemed useful to the Commission or interested parties.
  - c. Interested persons to file comments and reply comments on this Application.
  - d. A hearing on the Application.
  - e. Other processes and procedures deemed reasonable or necessary by the Commission in determining to approve Rocky Mountain Power's construction of Lake Side 2 and to grant a certificate of public convenience and necessity for Lake Side 2.
2. Following hearing and, if reasonably possible, by February 27, 2009,<sup>11</sup> issue an order:

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<sup>11</sup> As discussed above, the Company recognizes that completion of the approval process by February 27, 2009 may be difficult, but informs the Commission and parties of the Agreement milestones necessary for substantial completion of Lake Side 2 by July 2012.

- a. Approving Rocky Mountain Power's construction and operation of Lake Side 2 in accordance with the terms and conditions of the Agreement and the LTP.
- b. Finding the total projected costs for construction of Lake Side 2 consistent with the total projected costs provided in the Confidential Testimony.
- c. Acknowledging the prudence of the Company incurring certain costs after issuing the LNTP but prior to issuing the FNTP.
- d. Granting a certificate of public convenience and necessity to Rocky Mountain Power authorizing the construction and operation of Lake Side 2.
- e. Granting such other authorizations and approvals as may be necessary.
- f. Granting such other relief as is deemed just and reasonable in the public interest.

DATED this 3rd day of December, 2008.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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Mark C. Moench  
Yvonne R. Hogle  
Rocky Mountain Power

Gregory B. Monson  
Stoel Rives LLP

*Attorneys for Rocky Mountain Power*

**VERIFICATION**

STATE OF OREGON                    )  
  : ss.  
COUNTY OF MULTNOMAH        )

Stefan A. Bird, being first duly sworn upon his oath, testifies that:

- 3.        He is the Senior Vice President, Commercial and Trading, for PacifiCorp Energy.
- 4.        He has read the foregoing Verified Application of Rocky Mountain Power for Approval of Significant Energy Resource Decision and for Certificate of Public Convenience and Necessity (“Application”).
- 5.        The statements in the Application are true and correct to the best of his knowledge, information and belief.

\_\_\_\_\_  
Stefan A. Bird

Subscribed and sworn to before me on December 3, 2008.

\_\_\_\_\_  
Notary Public

## CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **VERIFIED APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF SIGNIFICANT ENERGY RESOURCE DECISION AND FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY** to be served upon the following by electronic mail to the addresses shown below on December 3, 2008:

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