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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision Resulting from the All Source Request for Proposals	DOCKET NO. 10-035-126 VERIFIED APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF SIGNIFICANT ENERGY RESOURCE DECISION AND FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
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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 Public Service Commission of Utah (“Commission”) approve its significant energy resource decision to acquire a combined cycle combustion turbine (“CCCT”) generating plant (“CH2M Hill Lake Side 2”), to be constructed by 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 CH2M Hill Lake Side 2.¹

The basis for this Application is that CH2M Hill Lake Side 2 is the lowest reasonable cost, qualifying resource resulting from the Company's Request for Proposals for Flexible Resources ("RFP") approved by the Commission on September 25, 2008 in Docket No. 07-035-94. Based on the RFP process, construction of CH2M Hill 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:

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¹ In addition, to the extent necessary pursuant to Utah Admin. Code R746-401, the Company provides a report of its intent to acquire CH2M Hill 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 CH2M Hill Lake Side 2.

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

By email (preferred)	datarequest@pacificorp.com
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 800,000 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”).

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 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 RFP.

5. Pursuant to the Act, in December 2008 the Company filed an application with the Commission requesting approval of Lake Side 2,² the winning resource from the 2012 RFP.³ The Company structured the agreement for the construction of Lake Side 2 to allow the Company to terminate it prior to a certain date at no cost to the Company. The Company believed it was important to have that flexibility given the global economic downturn in late 2008. This notwithstanding, the Company was obligated, under the agreement, to take certain actions on certain dates in order to guarantee substantial completion of Lake Side 2 by July 1, 2012, the date the resource was needed, based on the 2007 IRP. Upon issuance of an intent to proceed, the Company was also obligated to pay a substantial amount of money, which was non-refundable, to the contractor and the developer of the project for work to be performed. Further complications, including the timing of securing permits required for construction, jeopardized the construction of Lake Side 2 by July 2012.

6. On February 11, 2009, the Company delivered a formal written termination notice of the agreement to the agreement's counterparty, and filed a notice of termination of the agreement with the Commission, given the effect of the global economic downturn in late 2008 on customer loads, commodity prices and construction costs. On February 25, 2009, the Company filed a request for the Commission to terminate the 2012 RFP. The Company believed

² The winning resource that came out of the 2012 RFP was a similar plant to CH2M Hill Lake Side 2 that is the subject of this request under the RFP.

³ The 2012 RFP was issued to the market April 5, 2007 for the solicitation of up to 1,700 MW of base load resources needed in 2012.

that the global economic downturn and its effect on commodity prices and construction costs, among other things, warranted termination of the agreement and the 2012 RFP.⁴

7. On February 15, 2008, the Company filed an application with the Commission for approval of the solicitation and solicitation process contained in the Company's 2008 All Source RFP to meet up to 2,000 MW of the Company's capacity and energy resource needs for calendar years 2012-2016. On September 25, 2008, the Commission approved a revised 2008 All Source RFP filed August 5, 2008, subject to modifications. On October 2, 2008, the Company issued the approved 2008 All Source RFP to the market and received bidders' proposals on December 16, 2008.

8. On February 26, 2009, pursuant to UAC R746-100-3.A.1.a and R746-420-1(4)(c), the Company filed a motion requesting the Commission approve suspension of the 2008 All Source RFP on an expedited basis based, in part, on the same reasons that the Company terminated the agreement for Lake Side 2 that formed the basis of the December 2008 application. The Company determined that it was not in the best interests of its customers to proceed with the 2008 All Source RFP at that time and believed there was a reasonable possibility that more favorable bids may be received in the future as economic and market conditions changed. On April 6, 2009, the Commission approved suspension of the 2008 All Source RFP, subject to certain conditions.⁵

⁴ The Company believed and indicated that it could serve its load from current resources supplemented by market purchases until June 2014.

⁵ The conditions included that: (1) the suspension was granted for a period of up to six months; (2) prior to providing notice to bidders that the Company will resume, request approval to further suspend, or request approval to cancel the 2008 All Source RFP, the Company must notify and file the appropriate requests for approval with the Commission; and (3) if the Company notifies the Commission of its intention to resume the 2008 All Source RFP, it must include in its notification, a request for approval of the new schedule for the 2008 All Source RFP and include a request for approval of any material changes to the 2008 All Source RFP.

9. On October 6, 2009, the Company filed a notice of intent to resume the 2008 All Source RFP and requested approval of an updated schedule for the solicitation process. The basis for the Company's request was its belief that current market conditions would result in more favorable proposals for customers than those initially submitted in December 2008. The Company also informed the Commission that it was making nonmaterial changes to the 2008 All Source RFP including (1) a change to the time period for which the resource need was sought from 2012-2016 to 2014-2016; and (2) a reduction of the number of Company benchmarks from three to one. In addition, while the 2008 All Source RFP originally sought up to 2,000 MW, upon re-issuance, the Company would seek up to 1,500 MW because the Company added approximately 500 MW to the System with its acquisition of the Chehalis plant. On October 26, 2009, the Commission approved the resumption of the 2008 All Source RFP, which is referred to herein as the "RFP".

10. The Company proceeded to issue the RFP, with the modifications listed above, on December 2, 2009, seeking up to 1,500 MW consisting of base load, intermediate load and summer peak resources to meet the Company's system position for the 2014-2016 period, under the oversight of Merrimack Energy Group, Inc., the independent evaluator ("IE") appointed by the Commission.⁶ The Company allowed bidders who had previously bid in the RFP to refresh their bids; sought new bidders; and refreshed its own benchmark proposal. Proposals were submitted by various bidders by March 1, 2010, with best and final proposals from the Initial Shortlist bidders submitted July 15, 2010. In addition, the RFP included one benchmark proposal with two different on-line dates of 2014 and 2015, submitted by the Company on February 15, 2010, with a best and final proposal submitted July 1, 2015. After completion of the RFP analysis

⁶ The RFP was also conducted under the oversight of Boston Pacific Company, Inc. and Accion Group, the IEs appointed by the Oregon Public Utility Commission.

and in consultation with the IEs, the Company received the IE's concurrence on the Final Shortlist.

11. The Final Shortlist bidders were notified of their selection and consisted of the following: an Asset Purchase and Sale Agreement ("APSA") with CH2M Hill, the Company Benchmark, and a Purchase and Sale Agreement ("PSA") with Broadway Gen Funding, LLC. More specifically, the CH2M Hill proposal consisted of a wet-cooled gas combined cycle plant located at the Company's Lake Side site in Utah, with a capacity of 637 MW and an online date of June 1, 2014; the Company's Benchmark consisted of a wet-cooled natural gas fired combined cycle plant also located at the Company's Lake Side site with a capacity of 631 MW and an online date of May 1, 2014; and a PSA for the purchase in 2011 of an existing 543 MW natural gas fired combined cycle combustion turbine power plant located in Clark County, Nevada known as the Apex Plant. The winning bid was the CH2M Hill proposal.

12. The Company proceeded to negotiate the Master Development, Engineering, Procurement and Construction Agreement ("Agreement") with CH2M Hill and the Managed Long Term Gas Turbine Parts and Services Contract for Lake Side Block 2 ("Long Term Program" or "LTP") with Siemens Energy, Inc. ("Siemens"). The LTP is in the final stages of negotiations and the Company expects to finalize and execute the LTP in January 2011. The Company has consulted with the IEs throughout negotiations. The Company recently executed the Agreement with CH2M Hill, subject to regulatory approval.

13. Given the commercially sensitive nature of the information regarding the RFP and the terms and conditions of construction and operation of CH2M Hill Lake Side 2,⁷ but cognizant

⁷ 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

of the Commission's desire for public disclosure of non-confidential information, Rocky Mountain Power will provide general, non-confidential information regarding the RFP and CH2M Hill Lake Side 2 in this Application and the Testimony of Mr. Williams. More detailed, confidential information, including copies of the Agreement and the LTP, will be provided in the Confidential Testimony filed with this Application. The Confidential Testimony will be made available to interested parties pursuant to the parties' written certification to comply with Rule R746-100-16.

APPROVAL OF RESOURCE

14. CH2M Hill Lake Side 2 is a CCCT generating plant, to be constructed by CH2M Hill. CH2M Hill Lake Side 2 will include Siemens SGT6-5000F combustion turbine generators, and will have a capacity of 637 MW.⁸ It will be located adjacent to the Company's existing Lake Side Plant in Vineyard, Utah County, Utah. A more complete description of CH2M Hill Lake Side 2 and the total projected costs for the construction of CH2M Hill Lake Side 2 are provided in the Confidential Testimony.

15. Based on the RFP process, construction and operation of CH2M Hill Lake Side 2 is in the public interest for several reasons:

- a. CH2M Hill 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 RFP; summaries of the Company's rankings and evaluations of the bids; and identification of

an extremely important aspect of the ongoing RFP process.

⁸ 548 MW base load with 89 MW of duct firing for a total capacity of 637 MW at average ambient conditions for the site (new and clean).

all information, data, models, and analyses used by the Company to evaluate and rank the bids, including the CH2M Hill Lake Side 2 bid.

b. A copy of the complete RFP with appendices and attachments;⁹ 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 14 to this Application.

c. As explained in more detail in the Confidential Testimony, based on recently updated forecasts considering the impact of the current recession on projected loads, the Company is still expected to be short of capacity on a System-wide basis in 2014, in part as a result of expiration of long-term capacity contracts. CH2M Hill Lake Side 2 will be added as System resource and will provide capacity and energy to the Company and its customers in 2014 to help meet the required resource needs. CH2M Hill Lake Side 2 is needed to maintain a 12 percent reserve margin in 2014.

d. CH2M Hill Lake Side 2 was identified as the best resource available through the RFP process. Based on that process, CH2M Hill 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.

⁹ The RFP with appendices and attachments is in excess of 600 pages in length. It is part of the Commission's files in Docket No. 07-035-94 and has been previously provided to interested parties in that docket. In addition, it is available on PacifiCorp's website. Consistent with the understanding in Docket No. 08-035-95, rather than filing paper copies of the RFP with this Application, a link to the RFP is provided in Attachment 1 to this Application.

e. Based on the RFP process, the Agreement and the LTP are fair and reasonable. The Agreement and the most current version of the LTP are provided as exhibits to the Confidential Testimony. The Company will provide the final version of the LTP upon execution of the LTP by both parties.

f. The information, data, models and analyses used by the Company to evaluate the construction and operation of CH2M Hill Lake Side 2 demonstrate that construction and operation of CH2M Hill Lake Side 2 is in the public interest and will be beneficial to the Company's customers. This information is provided in the Confidential Testimony.

g. An analysis of the costs associated with CH2M Hill Lake Side 2 and the portfolios which include CH2M Hill Lake Side 2 as compared with the cost of the alternative resource portfolios demonstrates that construction and operation of CH2M Hill Lake Side 2 should increase customer revenue requirement by a smaller amount than alternative resource portfolios in the RFP. In addition, construction and operation of CH2M Hill Lake Side 2 will provide customer reliability by maintaining a 12 percent reserve margin. Therefore, construction and operation of CH2M Hill 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. As a result of the Company's decision to terminate the 2012 RFP and the agreement that was the basis for the December 2008 application, the costs to construct CH2M Hill Lake Side 2 now pursuant to the RFP, as opposed to the costs the Company would have incurred from the December 2008 application and agreement under the 2012 RFP, are significantly lower.

i. The Company has the ability to construct and operate CH2M Hill Lake Side 2 without impairing its credit or financial viability, as demonstrated in the Testimony of Mr. Williams.

16. Construction and operation of CH2M Hill Lake Side 2 is consistent with public convenience and necessity for several reasons:

a. Construction and operation of CH2M Hill Lake Side 2 is in the public interest for all of the reasons previously stated.

b. Construction and operation of CH2M Hill 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.

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 CH2M Hill Lake Side 2.

REQUEST FOR RELIEF

WHEREFORE, Rocky Mountain Power requests that the Commission:

1. Notice a scheduling conference to set a schedule for:

a. A technical conference as may be deemed useful to the Commission or interested parties.

b. Interested persons to file comments and reply comments on this Application.

c. A hearing on the Application.

d. Other processes and procedures deemed reasonable or necessary by the Commission in determining to approve Rocky Mountain Power's construction of CH2M Hill Lake Side 2 and to grant a certificate of public convenience and necessity for CH2M Hill Lake Side 2.

2. Following hearing and, by April 20, 2011, issue an order:

a. Approving Rocky Mountain Power's construction and operation of CH2M Hill 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 CH2M Hill Lake Side 2 consistent with the total projected costs and the purchase price provided in the Confidential Testimony.

c. Granting a certificate of public convenience and necessity to Rocky Mountain Power authorizing the construction and operation of CH2M Hill Lake Side 2.

d. Granting such other authorizations and approvals as may be necessary.

e. Granting such other relief as is deemed just and reasonable in the public interest.

DATED this 21st day of December, 2010.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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:

1. He is the Senior Vice President, Commercial and Trading, for PacifiCorp Energy.
2. 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”).
3. 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 __, 2010.

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 21, 2010:

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