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December 3, 2013

Public Service Commission of Utah Heber M. Wells Building, 4<sup>th</sup> Floor 160 East 300 South Salt Lake City, UT 84114

Attention: Gary Widerburg

**Commission Secretary** 

RE: In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Construct Selective Catalytic Reduction Systems on Jim Bridger Units 3 and 4 – Docket No. 12-035-92

Dear Mr. Widerburg:

In reference to the Utah Division of Public Utilities' ("Division") October 4, 2013 Memorandum to the Utah Public Service Commission ("Commission") on the subject: "No Action – EPC Contract for SCR Installation at Jim Bridger Units 3 and 4 meets expectations set forth in the Commission's Orders in Docket 12-035-92," PacifiCorp is in agreement with the Division's conclusion that the EPC Contract for the Jim Bridger Units 3 and 4 SCR project meets the expectations set forth in the Commission's Orders in Docket 12-035-92 and submits this document for clarification regarding the Division's findings related to the System scope of work required as part of the Jim Bridger Units 3 and 4 SCR project.

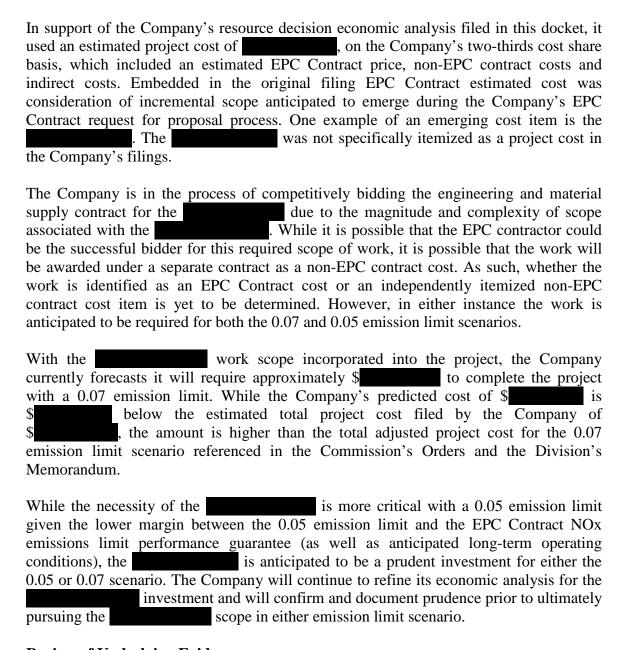
#### Clarification

While the Company is in agreement with the	Division's conclusion that the EPC Contract
for the Jim Bridger Units 3 and 4 SCR pro	ject meets the expectations set forth in the
Commission's Orders, the Company's curr	rent assessment, developed during detailed
project engineering, supports the finding the	nat in either a 0.07 or 0.05 EPA-approved
emission limit scenario, the	discussed in the Commission's Orders and
the Division's Memorandum is required ed	quipment. As such, the overall project cost
adjustments associated with the	addressed in the Commission's Orders
and the Division's Memorandum will be pr	esented by the Company in future filings as
prudently incurred project costs in either fin	al EPA-approved emission limit scenario for
the units. <sup>1</sup>	

<sup>1</sup> Mr. Teply referred to the	as an	in his surrebuttal	testimony.

Public Service Commission of Utah December 3, 2013 Page 2

## Background

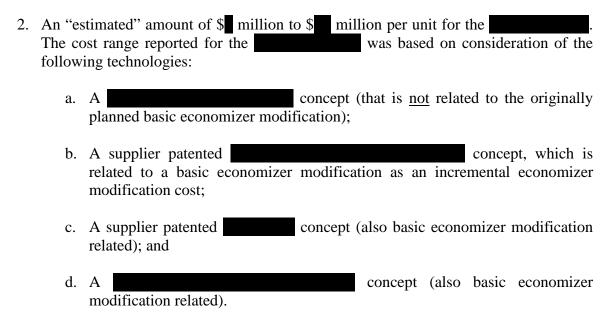


# **Review of Underlying Evidence**

The increased cost, on a per unit and 100% basis, for a 0.05 versus a 0.07 emission limit of approximately \$\bigsquare\$ million to \$\bigsquare\$ million was reported on lines 13-23 (page 3) of Mr. Teply's surrebuttal testimony. The reported cost range amount included two items:

 Public Service Commission of Utah December 3, 2013 Page 3

induced draft ("ID") fan and auxiliary power system modifications resulting from the additional SCR pressure of additional catalyst volume, associated indirect costs, and an allowance for related work that could not be predicted; and



The addition of these two cost items confirms the reported \$\bigset\$ to \$\bigset\$ million cost range per unit, at 100% project cost basis, reported in Mr. Teply's testimony.

### **EPC Contract Information**

Executed EPC Contract, Exhibit X establishes an option, available until December 1, 2013, at a firm price of per unit at 100% project cost basis for additional catalyst volume and NOx emissions CEMS if a 0.05 emission limit becomes a requirement. This amount is exclusive of any ID fan and auxiliary power system modifications (which are currently not anticipated to be required), associated indirect costs, and an allowance for related work that could not be predicted. At the present time, the Company anticipates that an amount of per unit at 100% project cost basis, plus associated indirect cost impacts, is an accurate report of all necessary SCR cost changes as described in Reported Cost Item 1 above. Also, as reported above, the is now anticipated to be required independent of the final emission limit. So, if an estimated cost for the two Reported Cost Items was now used in the Division's application examination, then the 0.05 versus 0.07 emission limit cost range variance could be reduced to approximately million per unit (at a 100% basis).

### **Concluding Comments**

For a 0.07 emission limit, the Commission's and Division's deduction of \$\bigsquare\$ million per unit at 100% project cost basis (\$\bigsquare\$ million on the Company's two-thirds share basis) is currently assessed (after completing detailed project engineering) by the Company to be

Public Service Commission of Utah December 3, 2013 Page 4

an excessive adjustment amount, and will be proposed by the Company for reconsideration when rate recovery is requested in a future rate case. As such, the Company requests: (1) that the Commission and Division deduct only \$\frac{1}{2}\$ million per unit at 100% project cost basis (\$\frac{1}{2}\$ million per unit on the Company's 2/3 share basis) when adjusting project costs for the 0.07 emission limit scenario, and (2) that the considered indirectly as an emerging EPC Contract cost) could be considered by the Commission and Division as a cost adjustment to be added to establish the EPC Cost Cap (as defined in the Division's October 4, 2013 Memorandum Table 1) for the 0.07 emission limit scenario. Use of this approach would result in an EPC Cost Cap at \$\frac{1}{2}\$ with a 0.07 emission limit, as presented in Confidential Modified DPU Table 1.

Modified DPU Table 1: EPC Costs – PacifiCorp Share - CONFIDENTIAL					
	Perspective 1				
	EPC Contract +		PAC		
	Revised		Clarification		
	Indirect Costs		Perspective		
Filed EPC Contract	\$	Actual EPC Contract	\$		
Filed Indirect Costs	\$	Revised Indirect Budget (Ref.)	\$		
Total "EPC" Costs	\$	Total "EPC" Costs	\$		
Reduction for 0.07 NOx Limit	\$	Reduction for 0.07 NOx Limit	\$		
		Adjustment			
		for 0.07 NOx Limit	\$		
EPC Cost Cap (0.07 limit)	\$	EPC Cost Cap (0.07 limit)	\$		

Regardless of Commission and Division action regarding the Company's cost clarification request above, the Company will continue to provide pertinent and accurate project forecast information as necessary to fulfill its obligations under the Commission's Order and procedural requirements of this docket.

Sincerely,

Daniel E. Solander Senior Counsel

Enclosures

Cc: Service List (w/ enclosures)