

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of South)
Utah Valley Electric Service District for) DOCKET NO. 07-2167-01
Authority to Issue Securities and Enter into)
Contracts) REPORT AND ORDER
)

ISSUED: March 13, 2007

By The Commission:

PROCEDURAL HISTORY

On February 14, 2007, South Utah Valley Electric Service District (“Company”) filed with this Commission its application in the above-referenced matter. On March 5, 2007, the Division of Public Utilities (“Division”) filed a memorandum detailing its investigation of the application and recommending approval.

BACKGROUND AND DISCUSSION

By its application, the Company seeks Commission Order authorizing the Company to enter into a contract as a member of the Utah Associated Municipal Power Systems (“UAMPS”) to acquire additional electric energy. UAMPS has agreed to participate as a joint owner in the acquisition and construction of an additional coal-fired electric generating facility at the Intermountain Generating site in Millard County, Utah, together with related facilities and equipment (“Intermountain Contract”). The Company has agreed to purchase a percentage of the electric energy that UAMPS is to purchase under the Intermountain Contract. UAMPS on behalf of the various participants will finance the Intermountain Contract and will capitalize interest on construction to a point in time beyond the commencement of commercial operation of the new generating unit number 3. At such time the Company and the other participants will be required

to commence purchasing respective shares of electric energy. It is not anticipated that the Company will be required to make payment under the Intermountain Contract until this time.

The Division notes the proposed power purchase agreement commits UAMPS to purchase 7000 KW of power output from the Intermountain Power Project Unit 3 when the Unit is ready for operation. The rate at which the power will be contracted for has not been determined at this time because the financing of the project is still being negotiated. UAMPS will incur the financial indebtedness for the project. The Company will be required to take the agreed amount of power during the term of the contract. The only caveat to this provision is if for some reason, UAMPS is unable to deliver the contracted amount of power, the Company is still obligated to make payment for the contracted amount of power and then will have to seek replacement power, if needed, elsewhere. When the rate for the purchased power from UAMPS is determined, the Company's management hopes it can be absorbed in its current rate structure. If not, then increased rates will be approved by the Board of Trustees and the procedure for the notification and acknowledgement of the rate increase by the Commission will be followed.

Having fully considered the application and all of the exhibits, documents and matters pertaining thereto, the Commission makes the following Findings of Fact and Conclusions of Law, together with the Order based thereon:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. This Commission has jurisdiction over this application pursuant to the provisions of Section 54-4-31(1), Utah Code Annotated 1953, as amended 1997.

2. The Company proposes to enter into a power purchase agreement as a member of UAMPS obligating the Company to take the agreed amount of power during the term of the contract.

3. Given the Company's representations and the Division's recommendations, we conclude the proposed power purchase agreement is consistent with the public interest and is necessary and appropriate for and consistent with proper performance by the Company as a public utility.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. The application of the Company requesting approval to enter into the referenced power purchase agreement is hereby approved.

2. The Company shall file with the Commission verified copies of any agreements entered into pursuant to this Order.

3. Nothing in this Order shall be construed to obligate the State of Utah to pay or guarantee in any manner whatsoever, any securities authorized, issued, assumed or guaranteed hereunder.

4. The issuance of an Order authorizing the proposed transaction does not constitute determination or approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves for the appropriate proceeding.

AGENCY REVIEW AND JUDICIAL APPEAL

This Report and Order constitutes final agency action in this docket. Pursuant to Utah Code 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by

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filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 13th day of March, 2007.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#52681