

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)
PacifiCorp, by and Through its Rocky) DOCKET NO. 07-035-94
Mountain Power Division, for Approval of a)
Solicitation Process for a Flexible Resource)
for the 2012-2017 Time Period, and for)
Approval of a Significant Energy Resource)
Decision)
)
In the Matter of the Application of Rocky) DOCKET NO. 10-035-126
Mountain Power for Approval of a)
Significant Energy Resource Decision)
Resulting from the All Source Request for) REPORT AND ORDER
Proposals)
)

ISSUED: April 20, 2011

SHORT TITLE

PacifiCorp Lake Side 2 Significant Energy Resource Decision and Certificate Case

SYNOPSIS

The Commission approves PacifiCorp's Significant Energy Resource Decision to acquire Lake Side 2 for service beginning June 2014, to be constructed by CH2M Hill. Lake Side 2 is a 637 megawatt natural gas-fired combined cycle combustion turbine generating plant which will be located adjacent to PacifiCorp's existing Lake Side Generating Unit in Vineyard, Utah County, Utah. The Commission also conditionally grants PacifiCorp a certificate of convenience and necessity for Lake Side 2 pending written verification from PacifiCorp all necessary permits have been obtained.

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I. PROCEDURAL HISTORY

On December 21, 2007, pursuant to Utah Code Annotated (“UCA”) §§54-17-101, et. seq., and Utah Administrative Code (“UAC”) R746-420 et. seq., PacifiCorp, by and through its Rocky Mountain Power division (“Company”), filed an application with the Public Service Commission of Utah (“Commission”) for purposes of opening a docket for the approval of a solicitation process for a flexible resource for the 2012 to 2017 time period, for appointment of Merrimack Energy Group, Inc., as the independent evaluator (“IE”) for the solicitation process, and for approval of the acquisition of a significant energy resource (“SER”).

In this initial application, the Company also requested the Commission grant expedited review of a 2012-2017 request for proposals (“RFP”), and authorize the Company to begin working with the IE on a 2012-2017 RFP. After receiving comments by the Utah Division of Public Utilities (“Division”) and the Utah Committee of Consumer Services (“Committee” now Office of Consumer Services or “Office”), the Commission issued a Report and Order on January 28, 2008, formally commencing Docket No. 07-035-94 (“Solicitation Docket”) and granting only the portion of the Company’s request for the IE, once obtained, to begin performing the duties and tasks required by statute and rules, and as directed by the Commission.

On February 15, 2008, the Company filed a notice and application in the Solicitation Docket requesting the Commission approve the solicitation and solicitation process contained in the Company’s draft 2008 All Source Request for Proposals (“All Source RFP”) to acquire or construct up to 2,000 megawatts of resources for calendar years 2012 to 2016. In this

application, the Company represents the All Source RFP solicits bids to fulfill a portion of the capacity and energy resource needs identified in the Company's 2007 Integrated Resource Plan ("IRP"). The All Source RFP showed a resource deficit ranging from 2,446 megawatts in 2012 to 3,171 megawatts in 2016, assuming a 12 percent planning margin. The Company proposed the following self-build benchmark resource options for the All Source RFP: 1) Currant Creek Block 2, a natural gas-fired combined cycle combustion turbine ("CCCT") having a nominal net rating, including duct firing capacity, of 535 megawatts to 700 megawatts; 2) Lake Side Block 2, also a natural gas-fired CCCT and having a nominal net rating, including duct firing capacity, of 550 megawatts to 580 megawatts; 3) three to seven advanced natural gas-fired, simple cycle combustion turbines at one or more locations, ranging from 250 to 290 megawatts per location. The Company additionally proposed use of applicable east/west markets to benchmark bids for the summer peak category.

On May 23, 2008, the Commission issued its order suggesting modifications ("May Modifications") to the Company's application as updated by the Company's revised filing of April 25, 2008. The May Modifications addressed: 1) credit; 2) indexing; 3) resource eligibility; 4) proposal options; 5) price and non-price evaluation metrics; 6) risk of potential CO₂ costs; 7) economic evaluation models and methodologies; 8) comparability; and, 9) blinding of bids. On June 12, 2008, the Company petitioned the Commission for reconsideration, review or rehearing of the May Modifications. Following comment on the petition by interested parties, the Commission denied the Company's petition on July 3, 2008.

On August 5, 2008, the Company filed the All Source RFP stating it had made the changes suggested in the Commission's May Modifications. On September 25, 2008, the

Commission approved the revised All Source RFP filed August 5, 2008, subject to minor editing changes. On October 2, 2008, PacifiCorp issued the approved All Source RFP to the market and received bidders' proposals on December 16, 2008.

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 All Source RFP on an expedited basis. On April 6, 2009, the Commission approved suspension of the All Source RFP subject to certain conditions.

On October 6, 2009, the Company filed a notice of intent to resume the All Source RFP and a request for approval of an updated schedule in the Solicitation Docket for the solicitation process. The proposed schedule included: issuance of the All Source RFP on November 9, 2009; bids to be due on June 11, 2010; bid evaluations to be completed by August 10, 2010; and Commission approval of the Company's SER decision by May 17, 2011.

The Company listed other changes to the approved All Source RFP arguing the changes were immaterial and therefore did not warrant approval by the Commission. These other changes to the approved All Source RFP were twofold: 1) change the time period for the solicitation from 2012 through 2016 to 2014 through 2016; 2) limit the Company's benchmark to a CCCT natural gas-fired plant at the Company's Lake Side site. The Company stated both of these changes were consistent with its 2008 IRP. The Company requested Commission approval by October 22, 2009. On October 19, 2009, the IE, Division and Office filed comments on the Company's request and on October 21, 2009, the Company filed reply comments. On October 26, 2009, the Commission approved resumption of the All Source RFP, the revised schedule with certain changes, and the Company's request to solicit resources consistent with its 2008

IRP. On February 24, 2010, the Commission issued an order on economic modeling issues and on March 18, 2010, the Commission issued a procedural order in the Solicitation Docket.

On December 20, 2010, in Docket No. 10-035-126, pursuant to UAC R746-430-2(2)(c)(i), the Company filed a public notice of its intent to file an application for approval of its SER decision resulting from the All Source RFP issued February 15, 2008, and approved by the Commission on September 25, 2008, in the Solicitation Docket.

On December 21, 2010, pursuant to UCA § 54-17-302 and UAC R746-430-2, the Company filed an application (“Application”) requesting the approval of its SER decision to acquire a CCCT natural gas-fired generating plant located in Vineyard, Utah (“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 UCA § 54-4-25, the Company requested the Commission issue a certificate of convenience and necessity (“CCN”) for the construction and operation of CH2M Hill Lake Side 2.

On December 22, 2010, the Commission issued an action request to the Division and a notice of scheduling conference to be held January 4, 2011. Pursuant to the scheduling order issued January 6, 2011: the IE filed its reports on the All Source RFP process on January 12th and 25th of 2011; a technical conference was held on February 3, 2011; testimony was filed by the Company, IE, Division and Office between March 3rd and March 24th of 2011; and a hearing was held on March 29, 2011.

II. POSITIONS OF THE PARTIES

The Company requests approval of its SER decision to acquire Lake Side 2, a 637 megawatt natural gas-fired CCCT built by CH2M Hill with an online date of June 1, 2014. The Company states the CH2M Hill Lake Side 2 plant will be added as a system resource and will provide capacity and energy to the Company and its customers in 2014 to help meet the required resource needs. The CH2M Hill Lake Side 2 plant is needed to maintain a 12 percent reserve margin in 2014.

Specifically, the Company requests the Commission issue an order approving the Company's construction and operation of CH2M Hill Lake Side 2 in accordance with the terms and conditions of 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"). In addition, pursuant to UCA § 54-4-25, the Company requests the Commission grant a CCN authorizing the construction and operation of this plant. The Company also requests the Commission issue an order finding the total projected cost for construction of Lake Side 2 is consistent with the total projected cost and the purchase price provided in the confidential testimony.

In support of its request, the Company provides testimony and exhibits including:

1) an historical overview of the need for the plant and of the regulatory process governing its acquisition; 2) a detailed description of the evaluation results of bids received and the Company's benchmark resource; 3) the Agreement with CH2M Hill; 4) identification of the total projected cost for plant construction and integration of the plant into the Company's utility

system; 5) testimony regarding the financial capability of the Company to enter into the agreement with CH2M Hill; and, 6) representations regarding the acquisition of necessary permits.

The Company presents in its direct testimony, the following historical overview describing the need for a CCCT in its resource planning and procurement processes and the events leading up to its SER decision.

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]

¹ Docket No. 05-035-47, "In the Matter of the Application of PacifiCorp for Approval of a 2009 Request for Proposals for Flexible Resource."

| [REDACTED]
| [REDACTED]

| [REDACTED]
| [REDACTED]

| [REDACTED]
| [REDACTED]
| [REDACTED]
| [REDACTED]

After receiving Commission approval to resume the All Source RFP, the Company testifies it issued the All Source RFP with minor modifications including: (1) a change in 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 to be included in the All Source RFP to one CCCT located at Lake Side. In addition, while the All Source RFP originally sought up to 2,000 megawatts, the resumed All Source RFP would seek up to 1,500 megawatts because of the 500 megawatt addition of Chehalis.

The Company testifies its request for approval of the construction of CH2M Hill Lake Side 2 plant as a new SER is based on its need to acquire additional system-wide resources to serve growing customer load. The construction of this plant, the Company states, addresses a capacity deficit in the 2014 time frame as identified in the Company's 2008 IRP Update and Resource Needs Assessment Update ("Needs Update"), dated October 7, 2010, which was provided as Exhibit RMP 2.2 to the Company's testimony. Table 1, in the Needs Update, identifies the capacity load and resource balance used for the All Source RFP portfolio modeling, including a 12-percent target capacity planning reserve margin. Table 1 shows,

without the addition of new resources, the Company expects to experience a 1,300 megawatt capacity deficit in 2012, increasing to just over 2,400 megawatts by 2016.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Based on the foregoing analysis, the Company selected three proposals for the final shortlist of the All Source RFP. The final shortlist bidders were notified of their selection and consisted of the following: 1) an Asset Purchase and Sale Agreement (“APSA”) with CH2M Hill, 2) the Company Benchmark, and 3) 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 megawatts 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 megawatts and an online date of May 1, 2014; and a PSA for the purchase in 2011 of an existing 543 megawatt natural gas-fired CCCT power plant located in Clark County, Nevada known as the Apex Plant. Since both the CH2M Hill Lake Side 2 proposal and the Benchmark are on the same site, only one of them could ultimately be constructed. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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As noted earlier, Merrimack Energy Group, Inc. was retained by the Commission to serve as the IE for the Company's All Source RFP. UCA § 54-17-101 requires the Commission to appoint an IE to actively monitor the solicitation process for fairness and compliance with Commission rules and to render an opinion as to whether any modeling used by the Company to evaluate bids is sufficient.

The IE provides: 1) two confidential reports, "Report of the Utah Independent Evaluator, Evaluation and Selection of the Final Short List, PacifiCorp All Source Request for Proposals" and "Final Report of the Utah Independent Evaluator, PacifiCorp All Source Request for Proposals;" 2) a redacted version of the final report; and, 3) written and oral testimony. The

IE reports there was a robust response from the market for base load and intermediate resources with a wide range of project structures, project locations, and technologies proposed. The level of response to the All Source RFP was sufficient to provide a competitive process throughout. Further, the IE reports the solicitation process was undertaken in a fair, equitable and unbiased manner with oversight by the IE up to and through the contract negotiation process. The IE maintains the Company followed its procedures and processes in selecting and negotiating a contract with CH2M Hill for the Lake Side 2 project.

As a result, the IE concludes the Company's application for Commission approval of the Lake Side 2 project is in the best interest of customers and should lead to the acquisition, production and delivery of electricity at the lowest reasonable cost to customers, as required by statute. The CH2M Hill Lake Side 2 resource, selected through this process, was subjected to detailed scrutiny and evaluation, was vetted through a fair and equitable process, and was the lowest reasonable cost option for customers taking into account all costs and risks. The IE's assessment of the terms and conditions of the EPC between the Company and CH2M Hill for the Lake Side 2 project indicates the contract is structurally sound and shows a well managed balancing of risk among all parties.

The IE concludes the All Source RFP process was highly transparent and provided detailed information regarding all aspects of the process. The transparency of the competitive bidding process exceeds industry standards. The bid evaluation models and methodologies are very appropriate for the cost and risk analysis undertaken by the Company. In particular, the models and methodology underlying the Step 1, Step 2 and Step 3 analyses are state of the art and provide very comprehensive and complete evaluation results.

The IE testifies the Company treated the Benchmark resource fairly and consistently relative to all other bids. The Benchmark resource provided the same information required of all bidders. Furthermore, the Benchmark team provided detailed back-up information to the IE on the cost and operating characteristics of the Benchmark resource and responded to all questions. The IE audited and validated the Benchmark information and concluded the cost and operation information was conservative and complete and was not intended to provide a “low ball” cost estimate. The evaluation criteria, weights, and scoring factors were generally applied consistently among all bids and the Benchmark.

However, it is the IE’s opinion the Company may have deviated from its stated procedures and evaluation methodology in its decision to suddenly and prematurely terminate due diligence and negotiations concerning the [REDACTED] project, after previously selecting the project for the final short list based on its bid evaluation and selection process. The IE reports the Company’s analysis illustrates Portfolio 2, which included both the CH2M Hill Lake Side 2 project and the [REDACTED] project, is the least cost portfolio on a risk adjusted PVRR basis under CO₂ cost scenarios ranging from \$0 to \$100 per ton.

The Division concludes the acquisition of the CH2M Hill Lake Side 2 plant is the least cost, least risk, single plant option available to fill the capacity need shown in the Company’s IRP and acknowledged by the issuance of the RFP. Further, the Division testifies the Company demonstrates it has the financial wherewithal to make this acquisition. Based on the conclusions of the IE and the Division’s consultant, La Capra Associates, Inc. (“La Capra”), and the Division’s own review, the Division testifies the Company did well in its All Source

RFP process that determined the initial short list and eventually selection of the CH2M Hill Lake Side 2 plant.

[REDACTED]

[REDACTED]

[REDACTED] The Division notes the additional generating capacity procured by the summer of 2014 from the Lake Side 2 plant is within the 1,500 megawatt target approved by the Commission for the All Source RFP. The Division concludes the plant is needed and in the public interest and recommends the Commission approve the acquisition of the CH2M Hill Lake Side 2 plant and that a certificate of public convenience should be granted. Further the Division makes no adjustments to the Company's projected costs of the project.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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The Division's consultant, La Capra, also recommends, for future RFPs, the Commission implement the following changes in the evaluation methodology:

- Prohibit the "fixing" of generic resources planned to come on-line beyond the time period in which the RFP seeks proposals. The "fixing" of post-2016 resources in the evaluation process prevents these generic resources from being deferred or replaced by the RFP bid and may undervalue the RFP bids.
- Prohibit generic projects, which are not benchmarks, to compete with the RFP bids.
- Include in future economic evaluations the unmet energy costs and risk adjustment factors in the analyses performed by the Company.

La Capra also asserts the various bid types (tolling service agreements, power purchase agreements, APSAs, etc.), each have different risk profiles and currently are not evaluated by the model. La Capra recommends future RFPs address these different risk profiles.

While the Division testifies these recommendations have merit, it states it may raise these issues in the Company's next RFP rather than advocate their adoption in this docket.

The Office does not object to the Company's request with respect to the CH2M Hill Lake Side 2 acquisition. The Office is pleased to see a proposal to construct a new 637 megawatt plant at the Lake Side site, but notes this plant will satisfy only a small portion of the total power deficiency in the future. The Office testifies the 2008 All Source RFP sought resources to meet up to 1,500 megawatts of the Company's capacity and energy needs for calendar years 2014-2016. Further, the Office notes the Company's 2011 IRP indicates the next large resource would be acquired or built in 2016. While the Office understands the dynamic nature of long term planning, it is concerned the Company may be incorporating unnecessary delays for additional plants in its long-term planning, resulting in sub-optimal resource plans.

The Office is concerned that prematurely rejecting [REDACTED], when the resource need is great, may detract from consumers' confidence in the RFP process. If resources such as [REDACTED] are available sooner, the Office would like to see these resources properly evaluated in the RFP and the long-term planning process. Further, the Office believes it is not appropriate to compare the [REDACTED] project, with known costs, to the potential future costs associated with building [REDACTED]. The Office is also concerned the time line to acquire future resources might be such that the Company will rely even more heavily on market purchases, with no certainty as to their availability or cost. The Office recommends the Commission address, in this Order, how in similar situations it expects the Company to evaluate and incorporate resources into its RFPs and resource acquisition approval applications.

III. DISCUSSION, FINDINGS AND CONCLUSIONS

A. INTRODUCTION AND BACKGROUND

On February 25, 2005, the Utah Legislature enacted the Energy Resource Procurement Act (“Act”), UCA §§54-17-101, et. seq. This Act requires any PacifiCorp SER acquisition of 100 megawatts or greater for 10 years duration or longer to be competitively bid unless a waiver is granted. In the absence of a waiver, the Act requires the Company to conduct a solicitation process that is approved by the Commission. The Act also requires PacifiCorp to obtain Commission approval of its SER decision prior to construction or entering into a binding agreement, unless a waiver is granted. The Act generally requires the Commission to issue an order approving, approving with conditions, or disapproving the Company’s SER decision within 120 days. In this case, the Company has requested no waivers to the approval processes. Therefore, we first consider the Company’s request for approval of its SER decision in the context of the Act and the rules promulgated to implement the Act.

B. ANALYSIS OF THE SER DECISION

In ruling on the request for approval of a SER decision, the Act requires the Commission to determine whether the Company’s decision was reached in compliance with the Act, UAC R746-420 through R746-440, the approved solicitation process, and is in the public interest taking into consideration: 1) whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to Utah retail customers; 2) long-term and short-term impacts; 3) risk; 4) reliability; 5) financial impacts on the affected electrical utility; and, 6) other factors determined by the Commission to be relevant. The Act also requires the Commission to include in its determination, findings as to the total projected

costs for construction or acquisition of an approved SER and the basis upon which the findings described are made.

1. Compliance with Statutory Requirements and Rules

Based on the testimony in this case, we find the Company has complied with the applicable statutory requirements and rules. The CH2M Hill Lake Side 2 plant meets the size and duration threshold requiring the Company to use a solicitation process or obtain a waiver. The Company used the solicitation process approved by order on September 25, 2009, and filed all information required pursuant to UAC R746-430-2. The Company demonstrated its need for resources citing its integrated resource plans and noting relevant changes to the integrated resource plans. No party contests the Company's analysis showing it has a need for additional resource in 2014 of over 2,000 megawatts of power. The CH2M Hill Lake Side 2 plant meets a portion of this requirement.

2. Compliance with the Approved Solicitation Process

The Company, IE and Division, provide testimony demonstrating the Company's adherence to the approved solicitation process for the CH2M Hill Lake Side 2 plant. Testimony from the Company and the IE demonstrates the Company generally complied with the approved All Source RFP and Commission orders. Where deviations have occurred from the approved process, such as modeling method changes and changes to inputs and assumptions, these parties testify the changes the Company made were in the public interest in this case. However, we find merit in one of La Capra's recommendations regarding evaluation method in future RFPs. La Capra recommends prohibiting the use of "fixed" generic resources in the evaluation process horizon or otherwise using "generic" resources which are not benchmarks to compete with bids.

Indeed, following this recommendation could avoid some of the concerns raised in this docket regarding the evaluation of [REDACTED] from affecting future RFPs.

We concur with the IE and the Division, the supplemental analysis performed by the Company to evaluate the [REDACTED] project did not comply with the approved evaluation process and therefore we give it no weight. According to the results of the approved evaluation methods, the benefits to customers of also acquiring the [REDACTED] project are in dispute. We will consider any recommendations on this issue in the context of a prudence review of Company resource procurement decisions in a rate setting docket. Therefore, we make no findings in this docket related to the [REDACTED] project.

3. Public Interest Requirements

The Company and IE provide detailed review and analysis of the Company's three-step evaluation of bids and the Benchmark. This analysis shows a reduced revenue requirement in the near and long-term with the inclusion of the CH2M Hill Lake Side 2 plant under a variety of assumptions regarding the future and including stochastic risk associated with fuel and power prices, loads, hydro conditions and unit availability. This analysis also demonstrates improved reliability as it replaces unspecified power purchases with a dispatchable resource. Further, the Company and Division testify the Company has the financial resources to undertake this project. Therefore, we find the CH2M Hill Lake Side 2 plant satisfies the public interest requirements of the Act.

4. Total Projected Costs for CH2M Hill Lake Side 2

As required by UCA § 54-17-302(6)(a) and (b), and based on the uncontested testimony of the Company, we find the total projected cost for the CH2M Hill Lake Side 2 plant

is [REDACTED]. We will consider approval of costs associated with the LTP in other rate proceedings.

C. CERTIFICATE OF CONVENIENCE AND NECESSITY

The Company also requests the Commission issue a CCN for construction of the CH2M Hill Lake Side 2 plant pursuant to UCA § 54-4-25. This statute requires the Company demonstrate the following: 1) need for the resource; 2) the resource will not conflict with or adversely affect the operations of any existing certificated fixed public utility which supplies the same product or service to the public and that it will not constitute an extension into the territory certificated to the existing public utility; 3) all required consent, franchise, or permits have been obtained; and, 4) the applicant has sufficient financial resources to undertake the project.

Whether we rely on the Company's 2007, 2008 or pending 2011 IRP, we find the Company has demonstrated a need for resources greater than the 637 megawatts provided through the CH2M Hill Lake Side 2 plant. As shown in the last "acknowledged" IRP, a natural gas-fired CCCT is shown to be least cost, considering risk and uncertainty, by 2014, under a variety of future conditions.

The Company represents construction and operation of CH2M Hill Lake Side 2 plant 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 CCN from the Commission. No party contests the Company's representation; therefore, we find the Company's application meets this requirement. As noted above, the Company has adequate financial resources to undertake the project. Finally, the Company commits to 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. We therefore grant the Company's request for a CCN, conditioned upon receipt of all permits necessary for its construction and operation. The Company shall notify the Commission by letter when it has acquired all required permits.

IV. SUMMARY OF FINDINGS

Wherefore, pursuant to our discussion, findings and conclusions made herein, we find:

1. The Company's decision to acquire CH2M Hill Lake Side 2 plant was reached in compliance with the Act, UAC R746-420 through R746-440, the approved solicitation process and is in the public interest.
2. The CH2M Hill Lake Side 2 resource, selected through the All Source RFP process, was subject to detailed scrutiny and evaluation, was evaluated through a fair and equitable process, and was the lowest reasonable cost, single plant option for customers taking into account all costs and risks.
3. The projected cost of [REDACTED] to acquire, construct and integrate the CH2M Hill Lake Side 2 plant is not disputed and is consistent with the projected cost and the purchase price provided in the confidential testimony.
4. The review and approval of the Long Term Parts and Service contract with Siemens Energy, which relates to post-commissioning, operation and maintenance, should be addressed in a general rate case or other similar proceeding and therefore is not addressed in this docket.

5. The Company has demonstrated it has met the statutory requirements for the issuance of a CCN for the resource conditioned upon receiving all necessary permits.
6. The Company's supplemental analysis comparing the costs of a "hypothetical" [REDACTED], which was not vetted or reviewed by the IE, to the [REDACTED] plant, with actual costs, did not comply with the approved evaluation process.
7. The Company's decision to terminate negotiations with [REDACTED] can be brought forth for consideration in a rate setting proceeding. A separate docket to consider this issue will not be opened.

V. ORDER

Wherefore, pursuant to our discussion, findings and conclusions made herein, we order:

1. The Company's SER decision to acquire the CH2M Hill Lake Side 2 generating unit, per the terms of the Agreement with CH2M Hill, is approved.
2. A CCN for the CH2M Hill Lake Side 2 generating unit is conditionally granted, pending the Company's certification to the Commission that the Company has received all necessary permits.

This Report and Order constitutes final agency action on the Company's December 21, 2010, Application. Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the

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request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, 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 Sections 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 20th day of April, 2011.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

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