

CONFIDENTIAL DPU Data Request 2.7

To answer one of the questions of the Utah IE please provide the step 3a analysis with the latest information for the Apex plant and the Current Creek 2 resources and provide a new table similar to the one provided as Table 5 in the Company’s October 7, 2010 report.

CONFIDENTIAL Response to DPU Data Request 2.7

The updated and expanded version of Table 5 of the Final Short List Development Report is provided below. The Company has broken out the PVRR difference column into two versions: one with Energy Not Served and Reserve Deficiency costs included (“Unmet Energy Cost”); and one with Unmet Energy Cost excluded. This display is intended to show the contribution of these cost line items to the net benefit of Portfolio 2 (LS Power Apex plus CH2M Hill) relative to Portfolio 1 (CH2M Hill). The table also shows the PVRR difference without the risk adjustment and unmet energy costs included.

Table 5 Update

CO ₂ Cost Scenario	Risk-Adjusted PVRR (Millions \$)					PVRR (Million \$)
	Portfolio 1 (CH2M Hill)	Portfolio 2 (CH2M Hill & LS Power Apex)	Percent Variance	Difference, with Unmet Energy Cost	Difference, without Unmet Energy Cost	Difference without Risk-Adjustment and Unmet Energy Cost
\$0/ton	█	█	0.21%	█	█	█
\$19/ton	█	█	0.41%	█	█	█
\$45/ton	█	█	0.64%	█	█	█
\$100/ton	█	█	1.08%	█	█	█
Average	█	█	0.70%	█	█	█

To provide context for these results and respond to the Utah IEs questions, the Company makes the following observations. Please refer to the table below that shows differences in PVRR line items for Portfolio 1 and Portfolio 2 for the \$19/ton CO2 scenario.

- The reduction in PVRR by including the Apex plant in the portfolio – primarily due to the reduction in front office transaction costs and increase in wholesale sales revenues - does not offset the higher fixed and variable operating costs of the plant. The table below shows that the net impact of adding the Apex plant is an increase █ in PVRR.
- The decreased PVRR of Portfolio 2 relative to Portfolio 1 shown in Table 5 is in part driven by the decrease in Energy Not Served and Reserve Deficiency costs as shown in the table below. These costs are used as modeling parameters, and are a function of stochastic variable volatility,

which increases over the course of the production cost simulation, as well as the assigned values of avoiding ENS and reserve deficiencies (for ENS, \$100 to \$400/MWh depending on the ENS quantity, and \$500/MWh for reserve deficiency). These modeling parameters are typically priced at high prices so costs rise quickly as energy or capacity are not being met under extreme conditions. When these costs components are added to the PVRR calculations, the net PVRR benefit of including Apex in the portfolio [REDACTED]—changes to a net benefit of [REDACTED] million.

- Net benefits are still not forecast to materialize on an accumulated PVRR basis until 2023, assuming a \$19/ton CO2 tax is imposed in 2015. An update of Figure 4 of the Final Short List Development Report is provided below.

PVRR Component	PVRR, Million \$ Savings / (Cost) Portfolio P2 less P1 (Apex plus CH2M Hill) less (CH2M Hill)
Variable Cost, less Unmet Energy Costs ^{1/} Fuel Thermal O&M Long Term Contracts and FOT's Emissions Spot Market Balancing Sales Purchases Dump Power	[REDACTED]
Total Variable Net Power Costs	[REDACTED]
Real Levelized Fixed Costs	[REDACTED]
Total PVRR	[REDACTED]
Unmet Energy Costs Energy Not Served Reserve Deficiencies	[REDACTED]
Total Unmet Energy Costs	[REDACTED]
Total PVRR including Unmet Energy Costs	[REDACTED]
	[REDACTED]
Risk Adjustment (95th Percentile Expected Value)	[REDACTED]
Risk Adjusted PVRR	[REDACTED]

1/ Consists of Energy Not Served and Reserve Deficiency costs.

**Cumulative PVRR Delta. \$19 CO2 Scenario
Portfolio 2 less Portfolio 1
\$ Million Cost / (Benefit)**

GRAPH IS REDACTED