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December 3, 2013

Public Service Commission of Utah
Heber M. Wells Building, 4th 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 [REDACTED] 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 project meets the expectations set forth in the Commission's Orders, the Company's current assessment, developed during detailed project engineering, supports the finding that in either a 0.07 or 0.05 EPA-approved emission limit scenario, the [REDACTED] discussed in the Commission's Orders and the Division's Memorandum is required equipment. As such, the overall project cost adjustments associated with the [REDACTED] addressed in the Commission's Orders and the Division's Memorandum will be presented by the Company in future filings as prudently incurred project costs in either final EPA-approved emission limit scenario for the units.¹

¹ Mr. Teply referred to the [REDACTED] as an [REDACTED] in his surrebuttal testimony.

Background

In support of the Company's resource decision economic analysis filed in this docket, it used an estimated project cost of [REDACTED], on the Company's two-thirds cost share basis, which included an estimated EPC Contract price, non-EPC contract costs and indirect costs. Embedded in the original filing EPC Contract estimated cost was consideration of incremental scope anticipated to emerge during the Company's EPC Contract request for proposal process. One example of an emerging cost item is the [REDACTED]. The [REDACTED] was not specifically itemized as a project cost in the Company's filings.

The Company is in the process of competitively bidding the engineering and material supply contract for the [REDACTED] due to the magnitude and complexity of scope associated with the [REDACTED]. While it is possible that the EPC contractor could be the successful bidder for this required scope of work, it is possible that the work will be awarded under a separate contract as a non-EPC contract cost. As such, whether the work is identified as an EPC Contract cost or an independently itemized non-EPC contract cost item is yet to be determined. However, in either instance the work is anticipated to be required for both the 0.07 and 0.05 emission limit scenarios.

With the [REDACTED] work scope incorporated into the project, the Company currently forecasts it will require approximately \$[REDACTED] to complete the project with a 0.07 emission limit. While the Company's predicted cost of \$[REDACTED] is \$[REDACTED] below the estimated total project cost filed by the Company of \$[REDACTED], the amount is higher than the total adjusted project cost for the 0.07 emission limit scenario referenced in the Commission's Orders and the Division's Memorandum.

While the necessity of the [REDACTED] is more critical with a 0.05 emission limit given the lower margin between the 0.05 emission limit and the EPC Contract NOx emissions limit performance guarantee (as well as anticipated long-term operating conditions), the [REDACTED] is anticipated to be a prudent investment for either the 0.05 or 0.07 scenario. The Company will continue to refine its economic analysis for the [REDACTED] investment and will confirm and document prudence prior to ultimately pursuing the [REDACTED] scope in either emission limit scenario.

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 \$[REDACTED] million to \$[REDACTED] million was reported on lines 13-23 (page 3) of Mr. Teply's surrebuttal testimony. The reported cost range amount included two items:

1. A "conservatively estimated" amount of \$[REDACTED] million per unit for potential SCR changes including: additional catalyst volume, a larger ammonia handling system, additional NOx continuous emissions monitoring equipment ("CEMS"), potential

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

2. An “estimated” amount of \$ [REDACTED] million to \$ [REDACTED] million per unit for the [REDACTED]. The cost range reported for the [REDACTED] was based on consideration of the following technologies:
 - a. A [REDACTED] concept (that is not related to the originally planned basic economizer modification);
 - b. A supplier patented [REDACTED] concept, which is related to a basic economizer modification as an incremental economizer modification cost;
 - c. A supplier patented [REDACTED] concept (also basic economizer modification related); and
 - d. A [REDACTED] concept (also basic economizer modification related).

The addition of these two cost items confirms the reported \$ [REDACTED] to \$ [REDACTED] 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 \$ [REDACTED] 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 \$ [REDACTED] 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 [REDACTED] 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 \$ [REDACTED] million per unit (at a 100% basis).

Concluding Comments

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

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 \$ [REDACTED] million per unit at 100% project cost basis (\$ [REDACTED] 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 [REDACTED] (costs which were not specifically itemized in the original filing, but were 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 \$ [REDACTED], 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 + Revised Indirect Costs | | PAC Clarification Perspective |
| Filed EPC Contract | \$ [REDACTED] | Actual EPC Contract | \$ [REDACTED] |
| Filed Indirect Costs | \$ [REDACTED] | Revised Indirect Budget (Ref.) | \$ [REDACTED] |
| Total "EPC" Costs | \$ [REDACTED] | Total "EPC" Costs | \$ [REDACTED] |
| Reduction for 0.07 NOx Limit | \$ [REDACTED] | Reduction for 0.07 NOx Limit | \$ [REDACTED] |
| | | Adjustment [REDACTED] for 0.07 NOx Limit | \$ [REDACTED] |
| EPC Cost Cap (0.07 limit) | \$ [REDACTED] | EPC Cost Cap (0.07 limit) | \$ [REDACTED] |

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)