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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission of Utah

From: Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst

Copies To: Service List Docket No. 12-035-92

Date: December 17, 2013

Subject: 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.

REDACTED

Background

On October 4, 2013 the Division of Public Utilities (DPU) filed a Memorandum with the Public Service Commission (Commission) describing its review of Rocky Mountain Power's (Company) signed Engineering, Procurement and Construction (EPC) contract. The Division determined that the signed EPC contract complies with the Commission's Order of Clarification in Docket 12-035-92 (Order). The agreed upon costs are consistent with the EPC Cost limits presented in the Commission's Order. Although the total project costs at this point appear to be higher than the limits contained in the Commission's Order, the Division concludes that No Action is required at this time. "The issue of recovering these additional costs will be reviewed in the next general rate case."¹

In discussing the cost differences the Division identifies costs associated with an [REDACTED]. Based on the Company's application for approval of the SCRs for Jim Bridger Units 3 and 4 the [REDACTED] was thought to be necessary to meet a more stringent 0.05 MMBtu NOx emissions limit, however the Company has now decided that the [REDACTED] will also be necessary for the 0.07 MMBtu NOx emissions limit. The contractor and costs related to the [REDACTED] have not been finalized.

¹ Division's October 4, 2013 Memorandum at page 7.

Rocky Mountain Power Response

In its December 3, 2013 response² to the Division's memorandum the Company states that it is in general agreement with the Division's conclusion that the EPC Contract meets the expectations in the Commission's Order. However the Company's current assessment is that the [REDACTED] will be required under either a 0.07 or 0.05 EPA-approved emission limit. The Company is currently in the process of competitively bidding the engineering and material supply contract for the [REDACTED] and indicates its intent to present the cost associated with the [REDACTED] in future filings as "prudently incurred costs".

Ultimately the Company makes two requests:³

- 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.

Regardless of Commission and Division action the Company states it will continue to provide pertinent and accurate project forecast information as necessary to fulfill its obligation.

Office of Consumer Services Comments

The Office of Consumer Services (Office) concurs with the Division's conclusion that no action needs to be taken at this time. The Company is currently competitively bidding the engineering and material supply contract for the [REDACTED] and as such has not determined whether the work will be awarded under a separate contract or to the EPC contractor. Importantly, although the Company has presented a forecast, the cost of the project is unknown. Additionally, a proper investigation of the Company's analysis wherein it determined that the [REDACTED] is necessary for either the 0.07 or 0.05 emission limit has not been conducted. The Office contends that such an investigation needs to occur before the Commission can make any determination regarding the appropriateness of making ratepayers responsible for those costs.

If the Commission does not act on the Company's request to include the currently unknown cost of the [REDACTED] the Company will have the opportunity to justify its decision and recover the costs in a general rate case.

² The Office notes that the Commission's October 29, 2013 order called for comments on or before Monday, December 2, 2013 and reply comments no later than Tuesday, December 17, 2013.

³ Rocky Mountain Power Memorandum, December 3, 2013, page 4.

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Recommendation

The Office asserts that the issue of cost recovery related to the [REDACTED] should be in a general rate case or other appropriate rate proceeding. Therefore, the Office concurs with the Division's conclusion that no action is required at this time. More specifically, the Office recommends that the Commission deny the Company's request