

Phillip J. Russell (10445)
JAMES DODGE RUSSELL & STEPHENS, P.C.
10 W Broadway, Suite 400
Salt Lake City, UT 84101
Telephone: (801) 363-6363
Email: prussell@jdrslaw.com

*Attorneys for Deseret Generation &
Transmission Co-Operative*

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Deseret Generation and Transmission Co-Operative for a Certificate of Public Convenience and Necessity Authorizing the Acquisition of Electric Utility Plant and Equipment	Docket No. 22-506-03
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**REDACTED APPLICATION FOR CERTIFICATE OF PUBLIC
CONENIENCE AND NECESSITY – BONANZA SOLAR PROJECT NO. 1**

In accordance with Utah Code Ann. § 54-4-25, Deseret Generation and Transmission Co-Operative (“Deseret”) hereby applies for a certificate of public convenience and necessity (“Certificate” or “CPCN”) with the Public Service Commission of Utah (“Commission”) to acquire up to 15 MWAC of electric generation that can be provided from photovoltaic solar generation facilities located adjacent to the Bonanza Power Plant in Uintah County, Utah (the “Bonanza Solar Project” or “Solar Project”).

Pursuant to Commission Rules R746-110 and R746-1-104(1)(a), Deseret hereby requests Informal Adjudication of this Application. Deseret represents that the matter is anticipated to be unopposed and uncontested. Submitted herewith is Confidential Attachment “1,” which includes

documentation and other relevant information necessary to establish the facts pertinent to this Application.

In support of this Application, Deseret represents as follows:

Background

1. Deseret is a Utah not-for-profit corporation organized and operating as a wholesale electric generation and transmission cooperative. Deseret supplies and transmits electric power and energy for the benefit of its member-consumers and non-member contract patrons. Much of the electric service provided by Deseret is transmitted for use in primarily rural, agricultural areas in the State of Utah and surrounding states.

2. As a rural electric generation transmission cooperative, Deseret has no stock, shareholders, or Investors. It is governed by democratically selected directors, elected from among its electric consumers. Deseret is regulated as a public utility by the relevant rate making and administrative agencies under Utah and federal law.

3. Deseret directly owns electric utility equipment and systems in Utah. In addition, Deseret also owns electric utility equipment and systems in Colorado through a wholly owned, cooperatively organized coal mining and private rail subsidiary. The power systems in Utah include the Bonanza coal-fired generating unit, rights to the Hunter II coal-fired generating unit, rights to the Intermountain Power Plan coal-fired generating unit, and an allocation of power from the Colorado River Storage Project (“CRSP”), which includes hydro generated power from several dams including Fontanelle, Flaming Gorge, and Glen Canyon.

Decision to Acquire Additional Generation

4. As part of regular planning and operations management, Deseret routinely reviews both its system load requirements (electric demand, capacity, and peak generation), the remaining useful life of existing generating resources, as well as the diversity of generating resources, the environmental attributes, and aspirational renewable resource objectives as established by Deseret's governing board.

5. Deseret has identified an opportunity to: (i) diversify and broaden the fuel source(s) of generation resources used to supply Deseret's member distribution systems with required power to satisfy customer load demand; and (ii) extend the anticipated life of coal reserves dedicated to the fuel supply of Deseret's Bonanza Unit 1 coal-fired generating facility.

6. By adding PV Solar generating resource adjacent to the Bonanza Unit, Deseret will increase its access to renewable power resource; diversify its generating resources; and extend the anticipated life of the dedicated coal reserves used to supply the Bonanza Unit 1 generating plant.

7. In addition, Deseret's investment in and acquisition of the Solar Project will result in valuable federal Solar investment tax credits that will benefit Deseret financially by offsetting anticipated federal income tax liability arising from taxable operating margins during 2022 and/or subsequent years.

The Proposed Project

8. Deseret intends to acquire up to 15 MW (AC) of photovoltaic solar generation to be located adjacent to, and interconnected with transmission facilities located at the Bonanza generating station.

a. Equipment Information. The Project consists of PV solar panels, inverters, and interconnecting facilities. Total aggregate output will be approximately 15 MW (peak) (AC).

b. Site and Schedule. The Solar Project would be installed on land Deseret owns adjacent to the existing Bonanza Unit 1 coal fired electric generation plant in Uintah County, Utah. The Project will be interconnected with Deseret facilities located at the Bonanza site. Because the land is already owned and largely suited to the Project, the schedule for construction of the Project on the site is ideally suited for completion in time to qualify Deseret to receive federal investment tax credits by year end 2022.

c. Capital Cost/Budget. The full 15 MW Project would cost approximately [REDACTED] which includes budgeted construction/purchase price, allowance for interest during construction, interconnection, and other installation costs.

d. Financial Value/Benefits. Installing the Solar Project at the Bonanza Site carries three financial benefits: First, Deseret can use the output from the Solar Project to partially reduce coal-fired generation at the Bonanza Unit, thereby extending the remaining useful reserves that could be supplied from the dedicated Deserado coal mine, the sole source of fuel for Bonanza. Second, Deseret can utilize the available output from the Project as added energy to increase total system energy during periods of peak demand on Deseret's system, thereby avoiding costly purchases of energy to satisfy peak demand requirements during very high priced market conditions. Finally, the 2022 Investment Tax Credit for the Solar Power Project will enable Deseret to avoid federal income tax equal to approximately 26% of qualifying value of Deseret's equity investment in the Project.

9. A busbar cost/savings analysis is included in Attachment 1, showing relative net revenue/savings using a Base Case (based on current Palo Verde forward electricity prices). Deseret has investigated alternative renewable power investments/projects but, due primarily to supply chain constraints, there do not appear to be any other alternative projects that could be completed and placed in service in time to achieve the 2022 ITC tax credit savings. Therefore, in order to evaluate and select the Solar Project, Deseret contemplated and modeled the alternative of making no Solar investment, which would result in zero income tax savings and require market energy purchases during limited peak demand hours. Comparing the two cases, the Solar Project was the most affordable, and provides significant environmental, diversity, and reliability benefits to meet the needs of Deseret and its members.

Project Financing

10. Deseret has received approval to finance the Solar Project through its lender, National Rural Utilities Cooperative Finance Corporation (“CFC”). A portion of the acquisition cost for the Project will be paid from a combination of current operating cashflows, approximately [REDACTED] in Deseret’s existing cash from previous years’ retained member margins, and the balance of the acquisition cost will be financed on a long term secured loan of 25 years from CFC.

Approval Criteria

The following information is provided pursuant to Utah Code Ann. §54-4-25, which sets forth the criteria for approval by the Commission of an application for a CPCN.

11. Deseret has received or is in the process of obtaining all required consents, permits and other authorization(s) for the Project as required by Utah Code § 54-4-25(4)(a). Deseret is in the process of obtaining the required construction storm water permits from the US Environmental

Protection Agency to control storm water during construction on Deseret’s property at the Bonanza Site, which is located on privately owned property within the federal government’s jurisdiction in Indian Country. To the extent that any further permits may be required during Project construction, Deseret will provide notice of receipt of the consent or permit as may be directed by the Commission.

12. As required by Utah Code Ann. § 54-4-25(4)(b), Deseret submits that the Solar Project will not conflict with or adversely affect the operations of any existing certificated fixed public utility which supplies electric power or services to the public, and will not constitute an impermissible extension into the certificated service territory of any existing public utilities.

13. Deseret has sufficient access to capital to finance the Project and a capital structure that renders Deseret financially stable.

14. As set forth above, Deseret has determined that the Project represents the least-cost, least-risk approach to meet Deseret’s renewable resource objectives and fulfilling its electric service obligations to its customers. As a result, the Project is in the public interest and public convenience and necessity does or will require the construction of the Project.

Requested Action

Wherefore, Deseret respectfully requests:

A. The Commission enter an order as expeditiously as possible granting Deseret a certificate of public convenience and necessity to construct the proposed Bonanza Solar Project; and

B. The Commission grant such other authority and authorizations as may be necessary to facilitate the construction of the Project; and

C. Pursuant to Commission Rules R746-110 and R746-1-104(1)(a), and because the matter is anticipated to be unopposed and uncontested, handle the application request by Informal Adjudication.

DATED this 9th day of June, 2022.

Respectfully submitted



By: Phillip J. Russell
JAMES DODGE RUSSELL & STEPHENS, P.C.
*Attorneys for Deseret Generation &
Transmission Co-Operative*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by email this 9th day of June 2022, upon the following:

Division of Public Utilities:

Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov
Madison Galt	mgalt@utah.gov
Patricia Schmid	pschmid@agutah.gov
	dpudatarequest@utah.gov

Office of Consumer Services:

Michele Beck	mbeck@utah.gov
Alyson Anderson	akanderson@utah.gov
Bela Vastag	bvastag@utah.gov
Alex Ware	aware@utah.gov
Robert Moore	rmoore@agutah.gov
	ocs@utah.gov

/s/ Phillip J. Russell