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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. 24-506-01
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**REDACTED APPLICATION FOR CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY – BONANZA SCR PROJECT**

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 install at Bonanza Unit 1 (“Bonanza”) a system of Selective Catalytic Reduction (“SCR” or “Project”) for NOx control, including necessary upgrade and refurbishment to the balance of the plant to allow such an upgrade to meet objectives for emission limitations as well as ensure the economic longevity of Bonanza to take advantage of the substantial investment such an undertaking will require.

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 are Confidential Attachments 1 through 6, which

include documentation providing 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. Communications regarding this Application should be directed to:

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3. 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.

4. Deseret directly owns electric utility equipment and systems in Utah. In addition, Deseret 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, Solomon Station peaking gas resource, Bonanza 1 solar facility, rights to the Hunter II coal-fired generating unit, rights to the Intermountain Power Project 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 Construct the Project

5. As part of regular planning and operations management, Deseret routinely reviews both its system load requirements (electric demand, capacity, and peak generation), projected capacity and availability of generation resources, 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. In completing those tasks this year, and because of the recent development described below, Deseret now identifies an opportunity to upgrade emission controls at Bonanza.

6. Deseret operates Bonanza pursuant to an Operating Permit issued by the Environmental Protection Agency (“EPA”) pursuant to Title V of the Clean Air Act (“Title V Operating Permit”). Pursuant to the Title V Operating Permit, Bonanza operations shall not exceed 20 million tons of coal through the remainder of the life of the plant (the “20 million ton limit”) unless Deseret applies for and receives approval to construct from EPA Region 8 (to the extent required), and installs and operates an SCR at Unit 1 prior to December 31, 2029, and Unit 1 achieves and continuously complies with a NO_x emission limit of 0.05 lb/MMBtu on a 12-month rolling average. Installation of the SCR Project at issue in this Application will enable Deseret to take full advantage and utilize all remaining economically recoverable coal reserves under the current federal lease(s) at the Deserado Mine, thus making available to Deseret and its members

an additional 12 million tons of coal at economical pricing (above the 20-million-ton limit). Combined with the remaining balance of permitted coal, the existing leased reserves remaining in the Deserado reserves will sustain continued operation of Bonanza at approximately its current levels through at least 2041 or 2042.

The Proposed Project

7. Deseret proposes to acquire, construct, and install a SCR system designed around a commonly used configuration with a proven track record for retrofits in various plants similar to Bonanza.

a. **Construction Schedule and Permit Requirements**

i. Deseret has already submitted an application for pre-construction permit approvals from the EPA and expects to receive initial comment drafts for approval within the next 60 to 90 days. Some pre-construction planning is already underway, with design modeling and engineering expected to be finished soon. The contemplated construction schedule would commence as soon as pre-construction permits are issued. The project would be installed and tied in during an extended outage, planned and scheduled specifically for this purpose, set to occur in the spring of 2026. The completed SCR would begin undergoing operational testing and shakedown by June 1, 2026.

b. **Contractors and Equipment Suppliers**

i. Deseret has completed a bid inquiry process and has received and evaluated alternative technologies, different sizing configurations, and competing suppliers for the SCR system. In addition, Deseret has gathered engineering estimates for refurbishment/replacement and upgrades to certain balance of plant systems, notably replacing and increasing capacity to the induction fans (“ID Fans”) to accommodate the

increased pressure necessary to drive sufficient effluent flow/pressure through the SCR catalyst mixing system.

ii. After diligent evaluation, a selection was made to enter into a procurement arrangement for the major project components from [REDACTED]. A copy of the [REDACTED], together with information concerning the [REDACTED] background and experience with SCR retrofit projects, is included in Confidential Attachment 1 and Confidential Attachment 2 to this Application.

c. **Project Costs, Performance Capabilities, and Economic/Financial Effects**

i. Total Project Costs, including contingencies and allowance for financing costs during construction, are expected to equal approximately \$ [REDACTED]. These costs are outlined in Confidential Attachment 3.

ii. Upon completion, the Project will reduce NOx emissions from the Bonanza Unit 1 to a level adequate to meet the conditions set forth in the Title V Operating Permit to eliminate the lifetime limit on coal consumed in the Unit 1 boiler. (Approximate emission limit post project = 0.05 lb/MMBtu).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

e. Additional Co-benefits

i. Deseret foresees additional benefits from the project, including among others:

1. Deseret has received enthusiastic support for the Project from its membership. The Members in particular are anxious to proceed with the SCR Project in a timely manner even though it could, theoretically, wait until as late as 2029-30 under the Title V conditions and related consent decree provisions. Adding the SCR at this time adds certainty to planning, marketing, and especially to the mine operational planning and will optimize Deseret's operations for the period through 2041.

2. Installing the SCR greatly reduces NO_x emissions – a known precursor to the formation of Ozone. The recently promulgated Ozone Transport Rule (“OTR”) would have resulted, if allowed to go into effect, in severe financial consequences for emissions of NO_x that exceed the level that can be achieved through the SCR controls. By adding SCR, Bonanza Unit 1 can operate at levels that would permit operations even under the OTR with reasonably manageable costs associated with compliance strategy for achieving the required emissions limits. Similar future regulatory schemes seem potentially foreseeable under the second planning period requirements for Regional Haze and other federal air requirements. The SCR provides the best currently available probability to enable Bonanza Unit 1 to satisfy these and other possible initiatives as part of a reasonable, responsible, near and intermediate term compliance strategy.

3. Reducing NO_x emissions in the non-attainment area where Bonanza is situated may carry significant co-benefits to the community and for possible future permit applications, such as Deseret’s pending application for EPA approval of a 51 MW gas peaking resource at the Bonanza site.

4. The Project extends the period before which Deseret would need to undertake addition of large, replacement baseload generation to meet existing system demand. Deferring large incremental plant investment provides significant value for Deseret’s membership.

f. Discussion of Project Risks

i. Deseret believes the technology selected and the equipment manufacturer are proven and established with numerous successful installations in the U.S. and worldwide.

ii. The Bonanza site is located within federally classified “Indian Country” and is thereby subject to direct regulatory and permitting jurisdiction by the U.S. EPA (Region 8). Indian Country permitting procedures will therefor apply. Deseret has adjusted the projected timing and schedule for completing the Project to adequately accommodate a slightly lengthier permitting process compared with similar state-permitted projects. Deseret has noted that the existing Title V permit for the Bonanza plant already contemplates the addition of SCR during the period preceding 2029.

iii. The future legal and regulatory framework for continued operation of Bonanza Unit 1, most notably, potential future initiatives to further curtail or place significant conditions on coal-fired electricity generation is an unavoidable element to be considered in the operational and financial success of the Project. Based on its economic analysis, Deseret is confident that the SCR will add sufficient additional generation output, using existing proven leased coal reserves at the Deserado Mine, that its confidence in the likelihood of a positive payback for this investment is deemed to be extremely high.

g. Project Financing

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ii. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

h. Other Items

i. Deseret includes herewith a copy of its most recent audited financial statements, and the two years previous (Confidential Attachment 6). Additional information will be provided upon request to facilitate review and consideration of this Application.

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.

8. 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 air permits from the EPA, or the appropriate state agency (if applicable). 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. Construction of the Project will not commence until Deseret has received the proper and necessary permits.

9. As required by Utah Code Ann. § 54-4-25(4)(b), Deseret submits that the Bonanza Unit 1 SCR 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.

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

11. As set forth above, Deseret has determined that the Project represents the least-cost, least-risk approach to meet Deseret's 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 that:

A. The Commission enter an order as expeditiously as possible granting Deseret a Certificate of Public Convenience and Necessity to construct the proposed SCR 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 12th day of April, 2024.

Respectfully submitted



By:

Phillip J. Russell
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*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 12th day of April 2024, upon the following:

Division of Public Utilities:

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/s/ Phillip J. Russell