

February 25, 2011

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Julie P. Orchard
Commission Secretary
Public Service Commission of Utah
Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84145

Re: Notice of Sole Source Contract with Alstom Power, Inc. at Naughton Unit Two

Commissioners:

In accordance with the Company's procurement policy, we hereby notify you that PacifiCorp has entered into a sole source contract with Alstom Power, Inc. to replace the horizontal superheater upper bank during the 2011 overhaul at Naughton Unit Two. The estimated cost of the project is \$922,162.00.

Due to an increase in tube failures over the last two years it is necessary to replace the 131 upper bank tubing assemblies in the horizontal superheater upper bank during 2011 to ensure continued reliability of Naughton Unit Two. PacifiCorp does not have access to the proprietary manufacturing drawings or measurements, including critical bend measurements, for the horizontal super heater assemblies. As the original equipment manufacturer (OEM) for the Naughton Plant Unit Two boiler Alstom owns the drawings and critical bend measurements.

PacifiCorp has exhausted competitive alternatives to Alstom Power for the required horizontal superheater upper bank replacement within the time frame of the scheduled Unit Two outage. Other boiler tubing manufacturers would have to reverse engineer each of the 131 tube assemblies. This would require an extended outage of approximately four and one half days, at an estimated cost of \$423,642 in lost generation, to obtain the measurements necessary to manufacture the tube assemblies. Because an extended outage is not scheduled prior to the September 2011 overhaul, the time for reverse engineering plus the lead time for delivery of the tube assemblies cannot be accomplished during the 56 day overhaul schedule.

This sole source procurement contract was authorized on January 25, 2011, by Dana Ralston, Vice President, PacifiCorp Generation.

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If you have any questions, please feel free to contact Dave Taylor at 801-220-2923.

Sincerely,

Jeffrey K. Larsen

Vice President, Regulation

cc: Division of Public Utilities
Committee of Consumer Services