

DESERET
Morning News

Power-plant pact OK'd

But losing bidder to dispute selection of Denver's Summit

By **Brice Wallace**

Deseret Morning News

Published: May 11, 2004

PacifiCorp has tabbed a Denver company to build a power generation plant on part of the former Geneva Steel site in Utah County.

But a losing bidder says it will dispute the selection.

PacifiCorp, which operates as Utah Power in Utah and Idaho, on Monday said Summit Vineyard LLC of Denver would develop and build a 534-megawatt, natural-gas-fired plant in a project named Lake Side.

PacifiCorp said it will enter into an asset purchase and sale agreement with Summit to develop the plant and with Siemens Westinghouse Power Corp. to construct the \$330 million plant. When construction is completed, PacifiCorp will own and operate the plant, and Siemens-Westinghouse will provide a long-term service agreement.

The utility said Summit topped 52 other offers as the company tries to get more power resources ready by summer 2007.

But the other finalist for the project, California-based Calpine Corp., vows to contest the selection when PacifiCorp goes before the Utah Public Service Commission to get the needed regulatory approvals.

"The conversation takes on a whole new tone, unfortunately," said Calpine spokesman Kent Robertson. "This is the first step in the process."

While both Calpine and Summit bid on the project and both offers called for a plant at Geneva Steel, their proposals differed. Calpine offered to build an 817-megawatt plant. A megawatt is enough electricity to power 500 to 750 typical homes.

Calpine would have built and operated its plant but sold the power to PacifiCorp. Summit's proposal makes PacifiCorp the plant owner, allowing it to garner a rate of return on the investment.

That, plus the fact that a PacifiCorp official has said Calpine's project was the most economical option, has Calpine perturbed.

"Summit is a similar project, but it delivers earnings to PacifiCorp, whereas a power purchase agreement with Calpine does not," Robertson said. "It certainly has the appearance that (PacifiCorp) has chosen its shareholders over its ratepayers, unfortunately. That's not to say it's a done deal, though. The transaction now goes to the Utah (Public Service Commission), and there's always room for the governor and Legislature to weigh in.

"Everybody needs to closely scrutinize this transaction. There needs to be an assurance that the ratepayers are being treated in a fair and honest fashion, and what you have with PacifiCorp right now, they're the judge, jury and executioner, and they have a very strong incentive to choose a project that's going to bring home earnings. . . . This is a questionable deal. It certainly reminds you that PacifiCorp is

an investor-owned utility."

Meanwhile, PacifiCorp and Summit say the selection was made fairly.

PacifiCorp spokesman Dave Eskelsen said the utility believes it "can demonstrate clearly" in a commission hearing that the selection and evaluation process was fair.

"We believe we've done a prudent analysis of our two finalists. Based on that analysis, we've tried to pick the option that's in the best interest of customers, because that's the way we get shareholder value," Eskelsen said.

"Summit is a good partner. They've got a good record of producing projects and bringing generating plants in on time at or under budget. We recognize the choice will be closely scrutinized in a public process, and we're prepared for that."

"Obviously there are always competitive processes, and people take different approaches to what they want to do when a winning proposal is announced," said Heather Redman, managing director of Summit Vineyard. "We welcome the regulatory scrutiny that will be appropriately applied here. . . . I'm confident we can demonstrate to the commission and Utah in general that this is the right choice and we are the right people to be sure power needs can be met and met as cost-effectively as possible."

The commission process could take six months, and it could be as controversial as the February hearings on the Currant Creek project that will be near Mona, Juab County. PacifiCorp picked itself from more than 100 bids to build the project. The commission, after several days of hearings, ultimately sided with PacifiCorp.

Geneva Steel's president and chief executive officer, Ken Johnsen, said it is "great news" that a project for the Geneva site was selected. Another option would have had PacifiCorp expand its Currant Creek project.

"The Calpine proposal was financially more attractive to us, but we don't control PacifiCorp's business judgment, and we're satisfied with the Summit deal in light of the fact that it will be sited at Geneva," Johnsen said.

Having a project at the site will allow Geneva to get revenues from selling the property, and the money will be used to help fund remediation of Geneva "in making the Geneva site attractive for the years to come," he said.

E-mail: bwallace@desnews.com

© 2004 Deseret News Publishing Company | All rights reserved