

# **EXHIBIT 209**

Gary A. Dodge, Esq. #AO897  
HATCH JAMES & DODGE  
10 West Broadway, Suite 400  
Salt Lake City, UT 84101  
Telephone: 801-363-6363  
Facsimile: 801-363-6666  
Attorneys for Geneva Steel

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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In The Matter of the Petition of Geneva Steel for Approval or Determination of a New Contract for Electric Service and an Infrastructure Agreement.	DOCKET NO. 02-035- <u>05</u>
	<b>Petition and Emergency Request for Expedited Resolution</b>

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**Summary of Requested Relief**

Pursuant to Utah Code Ann. §§ 54-3-1, et seq., 54-54-16-101, et seq., 63-46b-3, et seq., and 63-46b-20, and applicable Public Service Commission Rules, Geneva Steel ("Geneva") hereby petitions the Commission to establish expedited procedures for approval or determination of the rates, terms and conditions of service for: (i) a contract ("New Contract") for continued interruptible electric service by PacifiCorp to Geneva's historic and future operations to be effective at the termination of Geneva's existing special contract on January 1, 2003, including service to Geneva's planned new electric arc furnace ("New Furnace"), expected to be operational in or after January 2004, sufficient to satisfy the requirements of Utah Code Ann. §§ 54-16-201(1)(a)(ii) and 54-16-203(4); and (ii) an

agreement (“Infrastructure Agreement”) specifying repayment terms for new industrial infrastructure charges that are properly the responsibility of Geneva sufficient to satisfy the requirements of Utah Code Ann. §§ 54-16-201(1)(a)(i) and 54-16-203(1)-(3).

Geneva and PacifiCorp are engaged in good faith negotiations on the rates, terms and conditions for the New Contract and the Infrastructure Agreement. Geneva hopes and anticipates that the parties may be able to promptly reach agreement on both contracts. However, Geneva faces severe time pressures and restrictions that necessitate completion and approval of the contracts as soon as possible. Geneva thus requests that the Commission hold a scheduling conference immediately to set discovery and testimony deadlines and procedures, and to set hearing dates as early as possible in August 2002, in order to consider and approve the terms of the two referenced contracts to the extent the parties reach prompt agreement, and to direct PacifiCorp to execute a New Contract and an Infrastructure Agreement containing just and reasonable terms and conditions as determined by the Commission to the extent the parties are unable to reach prompt agreement.

### **Background**

Geneva operates steel production facilities in Vineyard, Utah County, Utah. Geneva historically employed, and anticipates again employing, more than 1150 skilled employees. On January 25, 2002, Geneva filed a voluntary petition with the United States Bankruptcy Court for the District of Utah seeking relief under chapter 11 of the Bankruptcy Code. Geneva’s facilities are largely idled at this time as it completes negotiations for financing arrangements to enable it to resume and expand its operations.

For more than 13 years, Geneva has received electrical services for its historic operations under the terms of an Electric Supply Agreement for interruptible power and energy ("Current Agreement") dated February 10, 1989, as amended. The Current Agreement provides for up to 150 MW of interruptible power and energy under certain circumstances. The Current Agreement expires on December 31, 2002.

Geneva is in the advanced stages of obtaining financing for the construction of its New Furnace. PacifiCorp has informed Geneva that new infrastructure improvements will be necessary in order for PacifiCorp to supply the electric needs of the New Furnace. The Industrial Electric Infrastructure Act ("Act"), Utah Code Ann. §§ 54-16-101, et seq., which becomes effective on July 22, 2002, provides, among other things, for deferred accounting treatment and recovery by PacifiCorp of expenses reasonably incurred in providing new industrial electric infrastructure needed to provide electric service to a new industrial facility under the terms and requirements of the Act. Geneva's New Furnace constitutes a new industrial facility under the Act and expenses reasonably incurred by PacifiCorp in connection with new industrial electric infrastructure for the New Furnace constitute covered expenses under the Act.

**New Agreement.** The Act requires that PacifiCorp execute an agreement approved by the Commission for electric services to be used in the operation of the New Furnace. By this Petition, Geneva seeks approval of the terms of a New Contract to govern electric service to the New Furnace in conformity with the Act, as well as continued service to Geneva's other facilities. To the extent the parties are unable to agree on any given term(s) of a New Contract, Geneva

respectfully requests the Commission to direct PacifiCorp to execute a New Contract with just and reasonable rates, terms and conditions as determined by the Commission.

Geneva anticipates that its future operations (other than the New Furnace) may require up to 110 MW of peak electric supply after January 1, 2003. Geneva expects the New Furnace will require approximately 120 MW of peak electric supply beginning in or after January 2004.

Geneva requests a contract with a term of five years for continued interruptible service for all of Geneva's operations after January 1, 2003, at a rate of \$26 per Mwh effective in 2003, escalating annually thereafter at 3% per annum, with reasonable terms of interruptibility and buy-through.

Geneva is aware of, and intends to participate actively in, the task force recently ordered by the Commission to study costs and benefits of interruptible service. Geneva also understands that the Commission may elect to adjust the terms and conditions of interruptible service, if necessary, following the completion of the work of the task force and appropriate hearings. Geneva respectfully asks the Commission to establish reasonable rates and terms for interruptible service to Geneva at this time in order to provide it with sufficient certainty of pricing to permit it to close its financing.

**Infrastructure Agreement.** The Act also requires that PacifiCorp execute an Infrastructure Agreement approved by the Commission that specifies, among other things, the new industrial electric infrastructure to be provided and the portion of the costs for such infrastructure to be paid by Geneva under applicable tariffs, rules or practices. By this Petition, Geneva seeks approval of the terms of an Infrastructure Agreement in conformity with the Act. To the extent the parties are unable to agree on any given term(s) of an Infrastructure Agreement, Geneva

respectfully requests the Commission to direct PacifiCorp to execute an Infrastructure Agreement with just and reasonable rates, terms and conditions as determined by the Commission.

The new industrial electric infrastructure needed to supply the New Furnace and the portion of the covered expenses to be paid by Geneva should be reasonably estimated at this time for purposes of the Infrastructure Agreement, subject to true-up. Geneva should be permitted to repay its portion of such expenses over a period of seven years, beginning when the New Furnace begins commercial operations, and subject to reasonable carrying charges.

### **Timing**

Geneva must quickly finalize financing arrangements to resume operations and to construct its New Furnace. Before any such financing can close, however, and before construction on the new infrastructure can begin, the terms of the New Contract and the Infrastructure Agreement must be resolved and disclosed. Geneva thus seeks expedited approval or determination of the terms of the New Contract and the Infrastructure Agreement. Moreover, given the short period of time available for resolution of these issues, Geneva respectfully invites the Division of Public Utilities and the Committee of Consumer Services to participate in ongoing discussions and negotiations, as well as in informal and formal expedited discovery.

Geneva anticipates that its financing could close as early as August 30, 2002. It is imperative that Geneva's electric supply contracts be in place prior to closing of the financing arrangements. Any additional delay in closing the financing due to unresolved electric issues would be extremely detrimental to Geneva and to its efforts to re-open and continue its operations.

Geneva respectfully requests that hearings be scheduled as soon as practicable in August 2002, and that a Commission order be entered by August 23, 2002.

### **Public Interest**

Geneva submits that expedited consideration and resolution of its Petition is in the public interest. Failure to grant expedited consideration or failure to effect a timely and reasonable resolution of the issues presented by this Petition would cause immediate and irreparable harm to Geneva, would threaten the viability and operations of Geneva's facilities in Utah County, and would cause significant and irreparable economic damages and other injuries to Geneva and its employees and customers, as well as to the citizens and economy of Utah County and the State of Utah.

### **Conclusion**

Geneva respectfully petitions this Commission to schedule a scheduling conference as quickly as possible, to enter a scheduling order establishing hearing dates, testimony deadlines, expedited discovery procedures and other timelines for resolution of this Petition, to determine and approve just and reasonable terms for a New Contract and an Infrastructure Agreement, and to direct PacifiCorp promptly to execute such agreements.

DATED this \_\_\_\_ day of July, 2002.

HATCH, JAMES & DODGE

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Gary A. Dodge  
Attorneys for Geneva

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, this \_\_\_\_ day of \_\_\_\_\_, 2002, to the following

Edward Hunter  
John Eriksson  
STOEL RIVES  
201 South Main Street, Suite 1100  
Salt Lake City, UT 84111

Michael Ginsberg  
ASSISTANT ATTORNEY GENERAL  
Division of Public Utilities  
500 Heber M. Wells Building  
160 East 300 South  
Salt Lake City, UT 84111

Reed Warnick  
ASSISTANT ATTORNEY GENERAL  
Committee of Consumer Services  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84111

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# **EXHIBIT 212**

# **EXHIBIT 212 (RMA-1)**

**PacifiCorpRAMPP-6 Action Plan**  
**Revised June 14, 2002**

**RAMPP-6 Model Issues**

The Commission order in Docket 98-2035-05 requests the impacts of updating the RAMPP-6 action plan for out-of-date assumptions. The Company has updated the following assumptions:

1. Wholesale market prices were updated to the Official February 2002 forecast.
2. Natural Gas prices were updated to the Official February 2002 forecast.
3. Native loads were updated to the current SRP forecast.
4. The Wholesale Balancing Adjustment was removed.
5. The Capacity Purchase Option was converted to a super peak purchase option.
6. West Valley CTs were added as a potential resource (200 MW)
7. Gadsby CTs were added as a potential resource (120 MW)
8. The SCE Winter Capacity Purchase was canceled (433 MW)
9. The SCE Sale was restructured (200 MW)
10. The WAPA 1 Block A was suspended December 2000 (7 MW)
11. The WAPA 2 contract was suspended December 2000 (75 MW)

The model selects 115 MW and 150<sup>1</sup> MW of Simple Cycle CT capacity in 2002 and 2003. This represents 88% of the West Valley and Gadsby CTs capacity<sup>2</sup>. The model also selects 126 MW of wind<sup>3</sup> in 2003. Cogeneration is selected starting in 2004 and Coal, Hunter 4, is selected in 2006, the first years that they are available. The model did not select Super Peak Purchase or Combined Cycle CTs.

The modeling results and a detailed description are attached.

**Resource Planning Strategy**

The planning and decision making associated with meeting load requirements are a function of the Commercial and Trading Organization. This organization strives to:

- Deliver the most economic solution.
- Reduce commodity risk in the regulated business
- Serve load with both owned assets and purchases
- Reduce cost and risk with hedges and load management programs

The Commercial and Trading Organization deals with both load growth and load balancing in the short term and long term. The short-term responsibility entails estimating the Company's hourly future position by delivery point and calculations as to how to best balance the position. The long-term responsibility furthers this load balancing over the 20 year integrated resource-planning horizon. The Integrated Resource Plan is developed by the C&T Organization.

<sup>1</sup> Due to summer heat derating this represents 123 and 160 MW of nameplate capacity.

<sup>2</sup> Nameplate capacity selected by the model totals 283 MW. Gadsby and West Valley have a capacity of 320 MW.

<sup>3</sup> The 126 MW of wind represents the peak contribution from 350 MW of installed capacity.

Currently, load growth in the Western U.S. is higher than the rest of the U.S. The region has a surplus now, but as the economy recovers and growth levels increase the surplus is expected to diminish over the next decade in the absence of new resources. PacifiCorp has also experienced consistent load growth in portions of the service area, especially the east side of the system. For the overall period 1978-2001, the average growth rate in the West was 1.47% and 3.87% in the East. Consequently, while the system is in overall balance, there are periods where the eastern portion reserve margin is particularly close.

This update to the RAMPP-6 action plan takes into account the Company's enhanced risk mitigation strategy. This strategy balances costs associated with ownership of resources or contracts with the risks of relying on market access. One result of this strategy is the Company's decision to reinforce its owned and contracted resources in the Wasatch front area. Another result is an effort to build additional demand side capabilities including direct load control.

### Near-term Planning Requirements

The Company faces 2 daily balancing problems:

1. We still must purchase in the real time to cover super peak period; and
2. We must sell in the real time surplus shoulder power back to the market.

While the Company's daily capacity/peak needs have a super peak, the products available from the wholesale market tend to be available in blocks, e.g. 16 hour/6 day (16x6) blocks. Purchasing these products subjects our customers to market risk. Power must be purchased to meet the peak; often at premium prices while surplus power on the shoulders of the peak must be sold back into the market at lower prices often below the price paid.

The Company tends to have 2 seasonal system peaks, summer in the East and winter in the West. Each peak has a different daily shape. The West peaks in the morning and evening, while the East peaks in the late afternoon. There are difficulties in supplying energy for these peaks, especially because we don't have an unlimited ability to transfer energy between our Western and Eastern regions. The summer peak on the East side is particularly difficult to fill. It presents real capacity (or peak) issues. In the winter Western peak, capacity and average energy needs are closer together. The peak capacity is needed for more than half the day, which more closely matches the products available from the market. In summer in the East, the peak capacity is needed for only a few hours each day. Serving the peak with baseload units or 6x16 power results in the surplus shoulder situation. Additionally, the large summer peak in Utah has been growing rapidly. The majority of the summer peak can be attributed to air conditioning load.<sup>4</sup>

### Transmission Issues

Because of physical flow reasons, nameplate transmission capacity in a power grid cannot be simply numerically summed to determine actual firm physical capacity. Transmission studies,

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<sup>4</sup> In response the Company has issued an RFP for an air-conditioning load control program. This program will be presented to the Commission for approval later this summer if cost effective responses are received.

using forecasted load and resource balances, are used to estimate firm capacity into and within a control area, at a point in time. Consider the situation in summer of 2005:

- Approximately 1,100 MW of estimated effective firm import capability exists.
- The peak loads in the Utah region are estimated at about 4,400 MW while the peak resources are about 2,500 MW.
- This leaves an 800 MW requirement to be filled by DSM activities, new resources and non-firm transmission.<sup>5</sup>

### **Short Term Action Plan**

The IRP process informs long-term direction setting and major asset choices. Short term planning (1 to 3 years) is a continuous activity undertaken within the scope of the IRP based long-term plan. Short term planning addresses the uncertainty associated with the economy, market price fluctuations, current system constraints and other exogenous events. Short-term decisions are required to:

- Balance for the normal expected variation of loads resources and events.
- Correct as short-term data corrects long-term assumptions (very dry hydro, unexpected long term outage).
- Take advantage of market opportunities.

To meet the long-term direction indicated by the IRP process the Company is taking several steps within the Action Plan time frame to ensure adequate supply and satisfy our load-serving obligation. These include:

- Re-establishment of an independent IRP organization.
- Construction of the Gadsby peaker.
- Ongoing DSM efforts.
- Release of an RFP for an air-conditioning load control program.
- Power contracts entered into as a result of an RFP for new resources.
- Establishment of a tiered rate structure for summer months in Utah.

### **IRP Organization**

In response to the changing dynamics within the power industry the Company re-established an independent IRP organization within the Commercial and Trading organization in the summer of 2001. The director of the IRP organization is Janet Morrison. Janet reports directly to Bob Klein, Senior Vice President of the C&T organization. Janet brings a wealth of experience to the position. She has worked for Scottish Power for the past 18 years and has held a variety of positions in Generation Operations, Transmission Planning, Energy Trading and Dispatch, Contract Sales & Marketing, Business Development and Project Management. The organization is staffed with analysts experienced in generation planning, transmission planning, modeling and

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<sup>5</sup> Power can be wheeled from the California ISO at SP15 or purchased from LADWP, however this has tended to be non-economic.

analysis, market fundamentals, risk analysis and demand-side management. By creating an independent organization the Company plans to make the IRP process more robust and real-time going forward. In addition, the placement of the IRP process within the C&T organization is intended to assure that the IRP is an integral component of the Company's business planning process.

### **Gadsby Peaking Units**

Currently under construction is the 120 MW Gadsby Peaker, located at the site of the Company's existing Gadsby steam plant. The construction contract estimates that commercial operation will begin during the summer of 2002. The units will provide economic energy production during peak periods and ancillary services in the form of voltage support and operating reserves when needed.

The project is gas-fired, and consists of three 40 MW General Electric LM-6000 units, with heat rates of 10,500 Btu/kWh. The units will be equipped with the latest in pollution control technology. Estimated costs are \$80 million installed or \$657/kW of capacity.

### **Demand-Side Management Director**

A Director of Demand-Side Management, Mike Koszalka, has been added to the IRP group, reporting to Janet Morrison. Mike will be responsible for defining the strategy and coordinating all DSM activities within PacifiCorp. The responsibilities assigned to this position include, ensuring that the appropriate high-level economic decisions are coordinated, that appropriate reporting is delivered, and that there is a central focus within PacifiCorp for both internal and external purposes.

### **On-going DSM Programs**

The Company's DSM programs will continue to be an integral component of the IRP planning process. New and existing programs will be modeled along with supply side options to determine the optimal resource portfolio. The Company's existing programs will be continued as the new IRP is developed. These programs include:

- Energy Exchange - an industrial load management program.
- Power Forward - a Utah Summer Awareness Program.
- Energy FinAnswer Program - engineering and financial assistance (varies by state) for installation of energy efficient motors, heating & cooling, refrigeration, etc.
- Retrofit Incentive Programs - engineering and incentives for energy efficiency measures (OR, WA and UT). Includes incentives for installation of Vending MiSer (a device that turns off vending machines when not in use).
- Energy education and Awareness Campaign - Do the Bright Thing

Additional DSM programs that are either implemented or underdevelopment include compact fluorescent bulb offerings and on-site or web based home energy audits.

DSM programs that are currently being analyzed in cooperation with the Utah Energy Efficiency Advisory Group include:

- Residential and small commercial load control (RFP has been released)
- High efficiency residential AC
- Second appliance recycling
- Energy Star Appliance Promotion
- Best practices AC servicing program
- New commercial/industrial load management

The Company intends to continue to use DSM as a valuable and cost-effective load management tool.

### New Resource RFP

The RFP process provides an impartial analytical process to fill our short-term resource needs. The Company issued an RFP in September of 2001 for new resources. The initial phase ("Phase I") of the RFP process focused on system needs for the summer of 2002, 2003, and 2004. Absent one negotiation that is ongoing, PacifiCorp has completed purchases it intends to make during Phase I.

PacifiCorp is currently pursuing entities who submitted proposals that PacifiCorp may find attractive in resolving system needs for the 2003, 2004, and possibly the 2005 timeframe via a second solicitation ("Phase II").

The RFP was emailed to 75 WSPP members and sent directly to large industrial customers in Utah. In addition, the RFP was posted on PacifiCorp's web site. The Company received 52 proposals from 27 suppliers that varied widely by type of product offered and availability date of resource. The proposals were "blinded" for evaluation, and an independent consultant (Cap Gemini Ernst & Young) was utilized to ensure impartial selection and consistency with best industry analytical practices. Bids received were evaluated on the following basis:

- Minimum 25 MW bid requirement
- Capability of physical delivery during summer months, 2002-2004
- Availability during super-peak or peak hours
- Optionality to take delivery
- Intra-hour or intra-day dispatchability
- Pricing structure (fixed, variable, indexed to gas, etc.)
- Location in or capability of delivery to PacifiCorp's eastern control area

Proposals received an initial screening by PacifiCorp's Credit department and several entities were eliminated for credit reasons. Proposals were sorted into tiers based on their desired attributes. The top tier was asked to refresh their bids and bid pricing specifically for the summer of 2002-2004. These bids were evaluated in December of 2001 based on consistent inputs and assumptions. Several proposals were chosen for potential negotiation based on optimal cost/risk balance. A subset of these was chosen for initial negotiation and "un-blinded".

