BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 390

In the Matter of PACIFICORP d/b/a PACIFIC POWER, 2022 Transition Adjustment Mechanism	SIERRA CLUB'S OPPOSITION TO PACIFICORP'S MOTION TO AMEND ORDER NO. 21-379

Sierra Club hereby files its opposition to PacifiCorp's Motion to Amend Order No. 21-379. On February 11, 2022, PacifiCorp filed a motion requesting that the Commission allow the Company to delay presenting an updated fueling strategy for Jim Bridger, one of the Company's most expensive coal plants, by a full calendar year. For the reasons set forth below, the Commission should deny PacifiCorp's motion and require the Company to put forward a fueling strategy that properly accounts for Jim Bridger's high cost fuel supplies by appropriately evaluating "even significant change[s] in its management"[1] of the two mines currently fueling Jim Bridger: Bridger Coal Company ("Bridger" or "BCC") and Black Butte.

I. Background

In both the 2021 and 2022 TAM proceedings, Sierra Club presented evidence demonstrating that Jim Bridger's fueling costs are some of the highest in PacifiCorp's entire coal fleet.[2] Those costs are significant: in the 2022 TAM, projected coal burn expenses for Jim Bridger were forecasted at $185,570,462.[3] In the same proceeding, Sierra Club's evidence suggested that reducing Jim Bridger's output could result in significant ratepayer savings, and

[1] Order No. 21-379 at 14.
[2] *See, e.g.*, Dkt. No. UE-375 Sierra Club/100 at Burgess/15 (Confidential Table 2), Burgess/16:7-9 (2021 TAM); Dkt. No. UE-390 Sierra Club/100 at Burgess/13 (Confidential Table 2), Burgess/15:4-6 (2022 TAM).
[3] PAC/102 at Webb/5.

that the reduced output could be accomplished by ramping down production from the Company-owned Bridger mine.[4] Due to Jim Bridger's high cost and the potential ratepayer savings from transitioning to alternative energy sources, adjustments to the plant's output and coal supply should begin immediately or, at a minimum, over multiple TAM cycles.

In light of this evidence, this Commission properly ordered PacifiCorp to reevaluate its fueling strategy for Jim Bridger. The Commission noted that "Jim Bridger costs . . . merit additional attention both because of their magnitude and because of PacifiCorp's flexibility to alter BCC deliveries."[5] Accordingly, PacifiCorp was ordered to update its long term fuel plan for the plant, including "[a]n updated mine plan [that] explicitly reflect[s] the changing future of Jim Bridger."[6] As part of this evaluation, PacifiCorp was encouraged to "look at scenarios that may involve even significant change in its management of the resources, such as, for example, the consequences of fueling Jim Bridger solely from BCC or solely from Black Butte."[7] PacifiCorp was ordered to "ensure that the Jim Bridger fuel plan allows Jim Bridger to decrease output . . . ."[8]

The Commission's directive that PacifiCorp update the Jim Bridger Long Term Fuel Plan and specifically scrutinize whether and to what extent it should continue to rely on either the Bridger or Black Butte mines came at a critical time for at least two reasons. First, PacifiCorp is in the midst of negotiating a new coal supply agreement with Black Butte, which it expects to sign in May 2022. An updated long term fuel plan could meaningfully impact contract negotiations and final contract terms, including whether signing a new contract, for *any* amount,

[4] *See, e.g.,* Sierra Club's Reply Brief at 19-21.
[5] Order No. 21-379 at 14.
[6] *Id.*
[7] *Id.*
[8] *Id.*

is prudent. In fact, if PacifiCorp is unable to produce a fueling strategy for Jim Bridger, as it claims in its pending motion, it is questionable whether the Company should lock itself into a contract with Black Butte.

Second, fuel pricing and availability greatly influences whether a coal plant should continue operating at current levels, reduce output, or retire. Accordingly, while the Jim Bridger Long Term Fuel Plan should identify the most economical way to meet planned operations, the fuel plan also meaningfully informs what those planned operations should be. Ideally, an integrated resource plan ("IRP") would also evaluate future operations at Jim Bridger, but PacifiCorp failed to evaluate optimal output from the Bridger mine—the plant's largest coal supply—during its 2021 IRP, meaning that a thorough fueling analysis that would inform future operations was not completed in that proceeding. PacifiCorp candidly recognized this fact during a recent Commission workshop, where the Company acknowledged that it considered a single production scenario at BCC.[9] The Company noted that there are "a lot of things" that can be done and "opportunities for cost savings" at the Bridger mine, but that the IRP did not evaluate "optimal supply situations [that] would actually be appropriate for Bridger[,]" because the Company "didn't have time to address all that."[10] This lack of analysis in the IRP only underscores the importance of evaluating optimal output for the Bridger mine as well as the prudency of a new Black Butte coal supply agreement through a long term fuel plan during the TAM. In fact, this type of analysis, at least for the Company-owned Bridger mine, should be occurring in *every* TAM because the Company has the ability to make annual changes the mine's fueling strategy, if doing so is in ratepayers' interest.

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[9] Special Public Meeting LC 77 PAC 2021 IRP Commission Workshop 1 at 2:43:51-2:44:26 (MacNeil, PacifiCorp) (Jan. 13, 2022).
[10] *Id.*

As noted above, given the significant amount of money at stake, delaying the analysis required by Order No. 21-379 another year is harmful to ratepayers and, as discussed below, there is no valid reason for delay.

II. PacifiCorp Has Not Presented Any Reason to Delay Reevaluating Long Term Fueling for the Jim Bridger Plant

PacifiCorp points to three "recent and ongoing events [that] have increased uncertainty around the future of Jim Bridger's fuel plans[,]" and, thus, apparently justify delaying evaluation of the plant's fueling strategy for another year: (1) the United States Environmental Protection Agency's ("EPA") notice of intent to disapprove PacifiCorp's proposed amendment to the Wyoming state implementation plan ("SIP"); (2) PacifiCorp's intention, under its 2021 IRP, to convert Bridger units 1 and 2 to gas by 2024; and (3) Idaho Power's plan to exit Jim Bridger by 2028. Notably, none of these events provided PacifiCorp with information that was not already known to the Company for several months or years. The Company's motion to amend Order No. 21-379 less than three weeks prior to the TAM filing date and based on information long known to the Company is cause for concern, potentially indicating that the Company is not taking every action possible to minimize Jim Bridger's high costs. As discussed below, none of these events presents a valid reason to delay scrutinizing ongoing fueling for the Jim Bridger plant.

a. Regional Haze Obligations at Jim Bridger as well as PacifiCorp's Plans to Convert Units 1 and 2 to Gas Have Been Known to the Company and Do Not Justify a Delay in Reevaluating Jim Bridger's Fuel Supply

PacifiCorp's primary argument for why it cannot present a fueling strategy for Jim Bridger is centered on the Company's decision to ignore Clean Air Act regional haze obligations at units 1 and 2.

In 2014, the EPA approved a Wyoming SIP that required PacifiCorp to install selective catalytic reduction ("SCR") pollution control technology on Jim Bridger units 1 and 2 by

December 31, 2022 and December 31, 2021, respectively.[11] PacifiCorp did not challenge this obligation once it was finalized. Rather, in 2019, two years before SCR was required at unit 2, PacifiCorp submitted a proposed SIP amendment that would eliminate the SCR requirement, which the Wyoming DEQ submitted for review and approval to the EPA in 2020. As PacifiCorp was and is well aware, the Wyoming DEQ's submission had *no impact* on the federal SCR requirement because the Wyoming SIP remained unchanged unless and until the EPA approved the modification request. In other words, PacifiCorp's federal regional haze obligations were not suspended pending the EPA's review of its modification request. In January 2022, the EPA published a proposed rule disapproving the requested SIP amendment.[12]

While PacifiCorp presents the EPA's action as creating "a disconnect between state and federal regional haze requirements[,]"[13] no "disconnect" exists because the state of Wyoming has no authority to unilaterally amend a federally enforceable SIP. Simply put, PacifiCorp and the State of Wyoming requested a change to federal law that has not been granted. Nevertheless, the Company has taken no action to comply with its Clean Air Act obligations that have been known since 2014.

Rather than installing SCRs on units 1 and 2, PacifiCorp appears to prefer converting units 1 and 2 to gas in 2024. The only other viable regional haze compliance option is to close the units.

While it is not yet clear which of these scenarios will ultimately emerge, each has been known to PacifiCorp for quite some time, and there is no reason why the Company could not

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[11] Approval, Disapproval and Promulgation of Implementation Plans; State of Wyoming; Regional Haze State Implementation Plan; Federal Implementation Plan for Regional Haze, 79 Fed. Reg. 5032 (Jan. 30, 2014).
[12] Disapproval of Air Quality Implementation Plans; Wyoming; Proposed Revisions to Regional Haze State Implementation Plan, 87 Fed. Reg. 2571 (Jan. 18, 2022).
[13] PacifiCorp Motion at 4:4-5.

develop a Jim Bridger fueling strategy capable of fulfilling the fueling requirements under any of the potential scenarios: installation of SCRs, conversion to gas, and closure. Because the Bridger mine provides the Company with significant flexibility to ramp coal production up or down, even assuming that the Company locks itself into a take-or-pay contract at the Black Butte mine, it should be able to adjust production at the Bridger mine to meet the generation needs of whatever scenario occurs. Moreover, Order No. 21-379 already envisions that PacifiCorp will evaluate multiple scenarios for fueling Jim Bridger that will incorporate various capacity levels at the plant, meaning that incorporating some level of uncertainty into the long term plan analysis was not unexpected. Ultimately, the Commission was clear that it expected PacifiCorp to develop a fuel plan for Jim Bridger that would maximize flexibility and allow for even "drastic" changes from current operations.[14]

While PacifiCorp's motion argues that there is not "sufficient certainty" regarding the future of Jim Bridger to provide a long term fuel plan,[15] PacifiCorp will undoubtedly include fuel costs for Jim Bridger in the 2023 TAM, meaning that some fueling strategy must be selected regardless of the final regional haze compliance requirement. Given the significant costs at stake, it is imperative that a thorough analysis of Jim Bridger fueling not be delayed and instead be filed with the 2023 TAM as previously ordered. If needed, PacifiCorp could update the plan as more information becomes available. However, continuing to request that ratepayers fund continued operations at the Bridger mine and/or anticipated future costs at the Black Butte mine without a supporting analysis does not satisfy PacifiCorp's prudence obligations.

[14] Order No. 21-379 at 14.
[15] *See, e.g.,* PacifiCorp Motion at 4:14-16

b. Idaho Power's Plans to Exit Jim Bridger Should Not Cause PacifiCorp to Delay Reevaluating the Plant's Fueling Strategy

Aside from regional haze compliance obligations, PacifiCorp cites to Idaho Power Company's recent plans to exit all of the Jim Bridger units by 2028 as a reason to avoid scrutinizing its fueling strategy for the plant for another year. As with its regional haze obligations, PacifiCorp has known for many years that Idaho Power has been planning to exit the Jim Bridger coal units earlier than end of useful life. While Idaho Power's most recent IRP shows earlier exits than previously announced, this does not excuse PacifiCorp from evaluating fueling needs at the plant. If anything, Idaho Power's most recent IRP provides greater certainty on its future participation in Jim Bridger, and there is no reason why PacifiCorp cannot incorporate the early exit dates into its long term fueling strategy. Even assuming, *arguendo*, that Idaho Power's exit strategy does cause significant challenges to presenting a long term fuel plan, PacifiCorp could present a fueling strategy through 2028, thereby eliminating the uncertainty caused by Idaho Power's most recent IRP, and update the plan as more information becomes available in subsequent TAMs.

III. Conclusion

Regardless of any future uncertainty over the life of Jim Bridger, PacifiCorp's 2023 TAM application will, in all likelihood, include proposed fuel costs for Jim Bridger that will ultimately be paid by ratepayers. Accordingly, it is critical that the Company thoroughly evaluate its fueling options for the plant and present the Commission with a well-supported fueling strategy that allows for flexibility and meaningful production reductions at the Bridger mine. The Company's proposal—to delay a serious evaluation of fueling for Jim Bridger, which it already failed to complete in the 2021 IRP—should be wholeheartedly rejected.

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Respectfully submitted,

/s/ Rose Monahan

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