

REDACTED

---

# **Sierra Club's Final Comments on PacifiCorp 2013 Integrated Resource Plan (Oregon Docket LC 57)**

---

January 10, 2014

Jeremy Fisher, PhD  
Vicki Stamper



**Synapse**  
Energy Economics, Inc.

485 Massachusetts Avenue, Suite 2  
Cambridge, Massachusetts 02139

617.661.3248 | [www.synapse-energy.com](http://www.synapse-energy.com)

---

REDACTED

Given these outcomes, it is clear that the analysis supporting the investment at Hunter 1 is erroneous and misleading, or shows that the System Optimizer model is extremely unstable and unsuited for these types of decisions.

### **Company Request for Acknowledgement of Naughton 3 Gas Conversion**

Sierra Club does not object to the acknowledgement of the Naughton 3 gas conversion, as this particular issue appears to have been vetted thoroughly by interveners in Wyoming docket 11-035-200. Sierra Club tracked, but did not participate in that docket.

### **Company Request for Acknowledgement of Jim Bridger SCR**

Sierra Club does not recommend the acknowledgement of the Jim Bridger 3 & 4 SCRs. The Company presented the analysis of this investment decision in Wyoming docket 20000-418-EA-12 and Utah docket 12-035-92. Sierra Club participated in both dockets, and did not find the analysis produced by the Company satisfactory or reasonable at this time. In both dockets, we raised specific concerns that were unanswered by the Company, except to dismiss those concerns as irrelevant.

Specifically, Sierra Club pointed out, and Oregon Staff has recognized here,) that the retirement of the Bridger units frees up significant transmission capacity from the Company's Wyoming production centers to PacifiCorp's load hubs in Utah and Oregon, thus potentially allowing the Company to defer near-term planned investments in transmission between the Bridger hub and load centers. The Company responded that the two issues were fully separable, and refused to examine such a scenario.

In addition, we continue to be very concerned that the decision to maintain Bridger 3 & 4 is largely traceable to the Company's requirement to collect sufficient remediation funds to close the Bridger Surface Mine. The Company's analysis of the retirement of Bridger 3 & 4 assumes that the Company would close the Bridger Surface Mine immediately, thus shifting coal mine remediation costs into the near future instead of well after the assumed plant closure decades away. By shifting those high remediation costs into the near future, the Company realizes a higher net present value, and thus chooses to maintain the units (and thus the mine) instead of closing both. From our perspective, this is truly a "tail wagging the dog." It is simply absurd that the closure of a non-economic plant should be deferred simply to defer the costs of closing its mine.

Finally, Sierra Club expressed concern that the Company's base carbon price forecast was insufficient to capture the risk associated with impending federal regulations. In answer, the



REDACTED

Company's updated CO<sub>2</sub> price forecast was deferred and lowered, rather than advanced and raised to reflect the greater degree of certainty in impending regulation.

The analysis presented in the 2013 IRP is not substantively different than the analysis presented in the Wyoming and Utah dockets, and thus the analytic flaws persist. We recommend that the Commission not acknowledge the Jim Bridger 3 & 4 SCR investment analysis at this time, and reserve such detailed analysis for the rate case following the installation of controls at Bridger.

### **Company Request for Acknowledgement of Sigurd-to-Red Butte**

At this time, Sierra Club does not specifically contest the acknowledgement of the Sigurd-to-Red Butte transmission line.

### **Remaining Concerns with Cholla 4**

In our preliminary comments, we noted that the Company's analysis found that Cholla 4 was non-economic by 2025 in the base scenario, and non-economic by 2017 in a low gas/high CO<sub>2</sub> price scenario. We further showed that results available from an updated version of the 2011 Screening Model indicated that the unit would likely start losing profitability [REDACTED]

[REDACTED] In fact, the unit would be unlikely to pay off its SCR over a reasonable amortization period. Sierra Club has recommended that the Company explore closure of the unit.

The Company responded that "PacifiCorp has not finalized its analysis of Cholla 4, and consequently, has not made a decision to either invest in the necessary environmental controls required for this facility to continue operating as a coal-fueled plant or to pursue alternatives such as natural gas conversion or early retirement." (PacifiCorp Reply Comments, p89). In response to Staff's concerns with a lack of analysis for Cholla 4, the Company simply stated that it "continues to engage in discussions with Arizona Public Service Company, the operator of the Cholla facility, and to analyze potential alternatives that might settle ongoing litigation filed with the Ninth Circuit Court of Appeals." (PacifiCorp Reply Comments, p20).

The Company's treatment of Cholla 4 is inconsistent with the way it has dealt with Bridger, Hunter 1 and other coal units in its fleet. According to the Company, under the current Federal Implementation Plan for Arizona, Cholla 4 requires an SCR four years from now - by January 4, 2018.<sup>20</sup> Notably, a year and a half ago (August 2012), the Company submitted an application for CPCN in Wyoming and Utah for SCRs on Jim Bridger 3 & 4 explaining that it required a rapid

---

<sup>20</sup> PacifiCorp 2013 IRP, Volume III. Page 13.