

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the Matter of

PACIFICORP D/B/A PACIFIC POWER  
& LIGHT COMPANY,

Petition For a Rate Increase Based on a  
Modified Commission Basis Report,  
Two-Year Rate Plan, and Decoupling  
Mechanism.

DOCKET UE-152253

SIERRA CLUB'S OPPOSITION TO  
PACIFICORP'S MOTION FOR  
CLARIFICATION

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CLARIFICATION**

1 In accordance with WAC 480-07-835(3) and the *Notice of Opportunity to Respond* issued in the above captioned proceeding by Administrative Law Judge (“ALJ”) Friedlander on September 13, 2016, Sierra Club hereby submits this response to PacifiCorp’s motion for clarification. Sierra Club recommends that the Washington Utilities and Transportation Commission (“Commission”) deny PacifiCorp’s request to modify Orders 12 and 13 with respect to the Jim Bridger capital costs because denying recovery on the non-SCR capital expenditures for Jim Bridger units 3 and 4 is consistent with the Commission’s decision in this proceeding.<sup>1</sup>

2 The Commission determined that PacifiCorp failed to meet its burden to demonstrate that continuing with SCR installation was prudent.<sup>2</sup> The Order is well reasoned, and the Commission based its conclusion on the evidence showing that PacifiCorp placed its customers at risk of larger-than-appropriate expenses when it failed to “pursue, and document its pursuit of, the least-cost option.”<sup>3</sup> That pursuit and documentation of least-cost options should have continued through December 1, 2013 and should have included a continuing analysis of the alternative compliance options

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<sup>1</sup> Sierra Club takes no position on PacifiCorp’s request for clarification related to the deferral period and timeline applicable to the decoupling mechanism.

<sup>2</sup> Order 12 at ¶ 108.

<sup>3</sup> Order 12 at ¶ 114.

available to the Company. Each of those alternative compliance options would have resulted in Jim Bridger units 3 and 4 ceasing coal-fired generation in 2015 and 2016, respectively.<sup>4</sup> At a minimum, that means that the Company could have avoided replacing the burners at both units and the absorber reline at unit 4 if the alternative was a brownfield conversion to natural gas.<sup>5</sup> However, a brownfield natural gas conversion was not the only feasible outcome of an updated system optimizer run. Mr. Link testified that system optimizer was configured with a range of resource replacement alternatives, including greenfield natural gas resources, firm market purchases, demand side management, and incremental wind resources.<sup>6</sup> Any of those alternatives would have made all of the non-SCR capital expenditures avoidable because Jim Bridger units 3 and 4 would have stopped operating altogether.

3           The system optimizer (or “SO”) model was capable of selecting alternatives other than a brownfield natural gas replacement. The Company’s failure to take advantage of that capability in system optimizer was expressly identified by the Commission as a fact that informed its conclusions. “During this six month period, the Company elected not to rerun the SO model it had used in the rigorous analysis it had completed earlier.”<sup>7</sup> That means that, had the Company conducted a proper ongoing analysis and determined in December 2013 that ceasing operations altogether at Jim Bridger units 3 and 4 was a viable option, then it also could conceivably have determined that it was able to avoid all of the non-SCR capital expenditures at those units. By not running that analysis, the Company’s evidentiary record is lacking, which is precisely the error the Commission faulted the Company for.

4           The penalty assessed by the Commission in this proceeding was a result of PacifiCorp’s failure to present the requisite contemporaneous documentation to show that its decision making was sound. The need to support large capital projects is not limited to the SCRs, but instead applies to all capital spending on existing assets. The Commission

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<sup>4</sup> Direct Testimony of Rick T. Link, Ex. No. RTL-1CT at 5:18-6:10.

<sup>5</sup> Response Testimony of Jeremy B. Twitchell, Ex. No. JBT-1T at 54:3-15 (citing Company Response to Staff Data Request 7); *see, also*, Direct Testimony of Chad A. Teply, Ex. No. CAT-1CT at 2:14-18 and 16:12-17 (listing all of the capital projects for Jim Bridger units 3 and 4).

<sup>6</sup> Ex. No. RTL-1CT.

<sup>7</sup> Order 12 at ¶ 100.

made clear in its order that its expectations regarding the process necessary to justify capital spending at Jim Bridger units 3 and 4 applies to all capital expenditures, not just the SCRs. “[W]e caution that any potential future investments in Units 3 and 4 by the Company, for regulatory compliance or any other purpose, will be subject to the same prudence standard we described here based on the specific evidence before us.”<sup>8</sup> It is appropriate, therefore, that the Commission applied the same penalty on all of the Jim Bridger capital projects at issue in this proceeding.

5           The Commission’s disallowance of the return on all of the Jim Bridger unit 3 and 4 expenses is entirely reasonable and consistent with the overall reasoning in Order 12. PacifiCorp’s failure to meet the burden of proof to demonstrate that the capital expenditures at Jim Bridger were prudent put its ratepayers at risk. The Commission would have been well justified to disallow the full recovery both “of” and “on” all of the capital projects at Jim Bridger. Instead, the Commission chose to craft a more limited response that attempted to balance ratepayer and shareholder interests.<sup>9</sup> This exercise in balancing competing interests need not be precise. Where the Commission chose to strike that balance was a matter entirely within its discretion. It was not, as PacifiCorp claims, a “ministerial” decision made in error.<sup>10</sup>

6           In summary, the Order’s exclusion of the return on investment for all of the capital projects at Jim Bridger units 3 and 4 - both the SCR and non-SCR expenses - is reasonable and consistent with the Commission’s decision. The Commission should deny PacifiCorp’s motion for clarification with respect to the non-SCR expenses.

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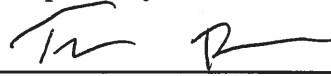
<sup>8</sup> Order 12 at ¶ 116 (emphasis added).

<sup>9</sup> Order 12 at ¶ 115.

<sup>10</sup> Motion for Clarification at ¶ 9.

Dated: September 20, 2016

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Travis Ritchie", written over a horizontal line.

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