

CONFIDENTIAL PER PROTECTIVE ORDER IN UTC DOCKET UE-152253  
Exhibit No. CAT-14CT  
Docket UE-152253  
Witness: Chad A. Teply

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT  
COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY**

**REDACTED REBUTTAL TESTIMONY OF CHAD A. TEPLY**

**April 2016**

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**ATTACHED EXHIBITS**

- Exhibit No. CAT-15—2015 IRP PacifiCorp Stakeholder Feedback Form
- Exhibit No. CAT-16—Synapse Comments on PacifiCorp’s IRP Process
- Exhibit No. CAT-17—Testimony Excerpt of Jeremy Fisher in Oklahoma Cause No. PUD 201400229
- Confidential Exhibit No. CAT-18C—Jim Bridger Unit 3 SCR Routing
- Exhibit No. CAT-19—Excerpt from Best Practices in Electric Utility IRP
- Confidential Exhibit No. CAT-20C—Corporate Governance and Approvals Process
- Confidential Exhibit No. CAT-21C—Jim Bridger Units 3 and 4 SCR Systems Available Compliance Options
- Confidential Exhibit No. CAT-22C—LNTP Update Memo dated May 22, 2013
- Confidential Exhibit No. CAT-23C—FNTP Decision Memo dated December 5, 2013
- Exhibit No. CAT-24—BART Appeal Settlement Agreement
- Exhibit No. CAT-25—DEQ Letter to PacifiCorp dated March 6, 2013
- Exhibit No. CAT-26—MEHC letter dated March 5, 2013

1 **Q. Are you the same Chad A. Teply who submitted direct testimony in this case on**  
2 **behalf of Pacific Power & Light Company (Pacific Power or Company), a**  
3 **division of PacifiCorp?**

4 A. Yes.

5 **PURPOSE AND SUMMARY OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. My rebuttal testimony responds to the testimony in this case challenging the prudence  
8 of the Company's investments in selective catalytic reduction systems (SCRs) and  
9 other necessary capital additions at Units 3 and 4 of the Jim Bridger generating plant  
10 (Jim Bridger Units 3 and 4). This testimony was submitted by Mr. Jeremy B.  
11 Twitchell on behalf of the Staff of Washington Utilities and Transportation  
12 Commission (Commission) and Dr. Jeremy I. Fisher on behalf of Sierra Club.

13 **Q. Please identify the specific issues you address and the related issues addressed by**  
14 **other Pacific Power witnesses.**

15 A. In my role at PacifiCorp, I am directly responsible for the development, evaluation  
16 and implementation of the SCRs at Jim Bridger Units 3 and 4 (Bridger SCRs). In  
17 response to Staff's and Sierra Club's testimony, I summarize the reasons why these  
18 parties are wrong in claiming that the Company acted imprudently. I also respond to  
19 Staff's challenges regarding the Company's process for evaluation, review and  
20 approval of the Bridger SCRs, and to Sierra Club's challenges based on timing and  
21 scope of the Company's compliance requirements underlying its investment in the  
22 SCRs.

23 Mr. Rick T. Link responds to the specific adjustments Staff and Sierra Club

1 proposed to the Company’s System Optimizer Model analysis supporting the Bridger  
2 SCRs. These adjustments are based on updates for alleged material decreases in  
3 natural gas prices and increases in coal costs. Staff also includes an adjustment for  
4 replacement power. Mr. Link demonstrates the significant errors in each of these  
5 adjustments and shows that none of the adjustments, when properly calculated,  
6 fundamentally change the Company’s supporting analysis. Mr. Dana Ralston corrects  
7 testimony of Staff and Sierra Club regarding alleged material increases in coal costs  
8 in 2013.

9 **Q. Please summarize your rebuttal testimony.**

10 A. My rebuttal testimony can be summarized as follows:

- 11 • Contrary to Staff’s assertions, the Company prudently and reasonably developed,  
12 assessed, and approved the Bridger SCRs through a robust, multi-year process  
13 that fully complied with the Company’s governance policies.
- 14 • Staff’s claims that the Company “chose to ignore” new information available  
15 before the Company released the Full Notice to Proceed (FNTP) are simply  
16 untrue. In fact, the Company’s negotiation and use of the engineering,  
17 procurement, and construction services (EPC) contract’s Limited Notice to  
18 Proceed (LNTP) provision is evidence of the Company’s prudence. This  
19 provision allowed the Company to limit outlay of costs while pursuing parallel  
20 path regulatory reviews and permit requirements, and allowed assessment of  
21 market conditions and the project’s economics up to the last feasible point in time,  
22 December 2013, while still meeting the Company’s Regional Haze compliance  
23 deadlines. The evidence in this case demonstrates that—at all points relevant to

1 this prudence review—the Bridger SCRs were the most cost-effective compliance  
2 option for customers.

- 3 • Sierra Club knowingly misrepresents the flexibility the Company had in meeting  
4 its compliance obligations with the state of Wyoming. As Sierra Club is aware,  
5 its position is directly refuted by correspondence from the state of Wyoming.  
6 Sierra Club’s position is also contrary to the position it took in comments to the  
7 U.S. Environmental Protection Agency (EPA) on the Wyoming Regional Haze  
8 State Implementation Plan (Wyoming SIP). The Company followed a schedule  
9 for the Bridger SCRs that balanced the need for careful review of the investments  
10 with the need to cost-effectively meet its compliance obligations.

11 **Q. Please summarize the Company’s overall response to Staff’s testimony claiming**  
12 **that the Company was imprudent for failing to update its analysis before giving**  
13 **its contractor the FNTF.**

14 A. I strongly disagree with Staff’s conclusion that the Company acted imprudently.  
15 During the multi-year review period for the Bridger SCRs, the Company refined and  
16 updated its economic analysis. Both Staff and Sierra Club have acknowledged the  
17 proficiency of the Company’s long-term resource modeling. In addition, Staff  
18 acknowledges that the Company acted prudently in terms of the timing of the  
19 investment, the comprehensive analysis of different alternatives, and the  
20 documentation provided.

21 Nonetheless, Staff recommends partial disallowance based on an inaccurate  
22 narrative allegedly describing the Company’s review process, implying a bad faith  
23 failure to update analysis and substandard governance process. In my testimony,

1 I directly rebut these allegations and demonstrate that the Company diligently studied  
2 the costs and benefits of installing the Bridger SCRs for several years before  
3 executing and finalizing the EPC contract. The Company's review process in this  
4 case was fully consistent with its governance policies for major expenditures.

5 Staff also proposes its own analysis purporting to update the Company's  
6 review of SCR investments to show that they became uneconomic in fall 2013. As  
7 Mr. Link and Mr. Ralston demonstrate, Staff's updates are incomplete and inaccurate.  
8 When corrected, Staff's analysis supports the Company's decision to move forward  
9 with the Bridger SCRs. In addition, my testimony demonstrates that Staff's updates  
10 did not take into account significant reductions in project costs that increase the  
11 benefits to customers associated with the Bridger SCRs.

12 **Q. Please summarize the Company's overall response to Sierra Club's claim that**  
13 **the Company acted imprudently in investing in the Bridger SCRs.**

14 A. There are numerous errors underlying Sierra Club's testimony that the Company's  
15 investments in the Bridger SCRs were imprudent. First, Sierra Club's  
16 recommendation is improperly based on forward price curves and coal costs that post-  
17 date the Company's execution of the EPC contract and the FNTF. Second, like Staff,  
18 Sierra's Club's analysis is demonstrably incomplete and inaccurate. Third, Sierra  
19 Club mischaracterizes the nature and timing of the Company's Regional Haze  
20 compliance obligations, inaccurately alleging that the Company could have delayed  
21 planning, and therefore installation, of the SCRs past the deadlines contained in the  
22 Wyoming SIP and associated permits and agreements described in my testimony.

1 **Q. Does any party separately challenge the prudence of the other major capital**  
2 **maintenance projects placed into service as a part of the maintenance overhauls**  
3 **at Jim Bridger Units 3 and 4?**

4 A. No. Staff challenges these projects only on the basis that they would have been  
5 avoided if the units had been converted to natural gas.<sup>1</sup> Sierra Club does not address  
6 or include these projects in its proposed disallowance.

7 **Q. What is the current status of the EPC contract for the Bridger SCR's?**

8 A. The SCR at Jim Bridger Unit 3 was placed in service in November 2015, and the  
9 SCR at Jim Bridger Unit 4 is on schedule to be placed in service in November 2016,  
10 with each project being tied-in and placed in-service following the concurrently  
11 planned major maintenance outage for the respective unit. For the Jim Bridger Unit 4  
12 SCR, all foundations have been constructed, all SCR structural support steel has been  
13 erected, and both reactors, including inlet and outlet ductwork, are set in position.  
14 Construction of piping and electrical construction throughout the project is underway.  
15 The Jim Bridger Unit 4 SCR is on schedule to meet the Company's environmental  
16 compliance deadline for that unit as established by the governing permits,  
17 implementation plans, and agreements.

#### 18 **COMPANY PROCESS FOR REVIEW OF SCR INVESTMENTS**

19 **Q. Before executing the EPC contract, did the Company engage in a multi-year**  
20 **process to develop, study, review, and obtain initial regulatory approvals for the**  
21 **Bridger SCR's?**

22 A. Yes. This process began with the issuance of Wyoming's SIP in 2008, which led to  
23 lengthy environmental permitting and public comment processes, appeals, and

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<sup>1</sup> Twitchell, JBT-1CT 5: 20-22.

1 settlements. In August 2012, the Company initiated a Certificate of Public  
2 Convenience and Necessity (CPCN) proceeding in Wyoming and a pre-approval  
3 proceeding in Utah, resulting in highly scrutinized and publicized regulatory reviews  
4 that lasted until May 2013. In April 2013, the Company filed its 2013 Integrated  
5 Resource Plan (2013 IRP), which contained a comprehensive review of the Bridger  
6 SCRs. The 2013 IRP was filed and reviewed in each of the Company's jurisdictions.

7 **Q. Did the detailed evaluation of the Bridger SCRs that occurred as part of this**  
8 **multi-year process inform the Company's decision to move forward with this**  
9 **investment?**

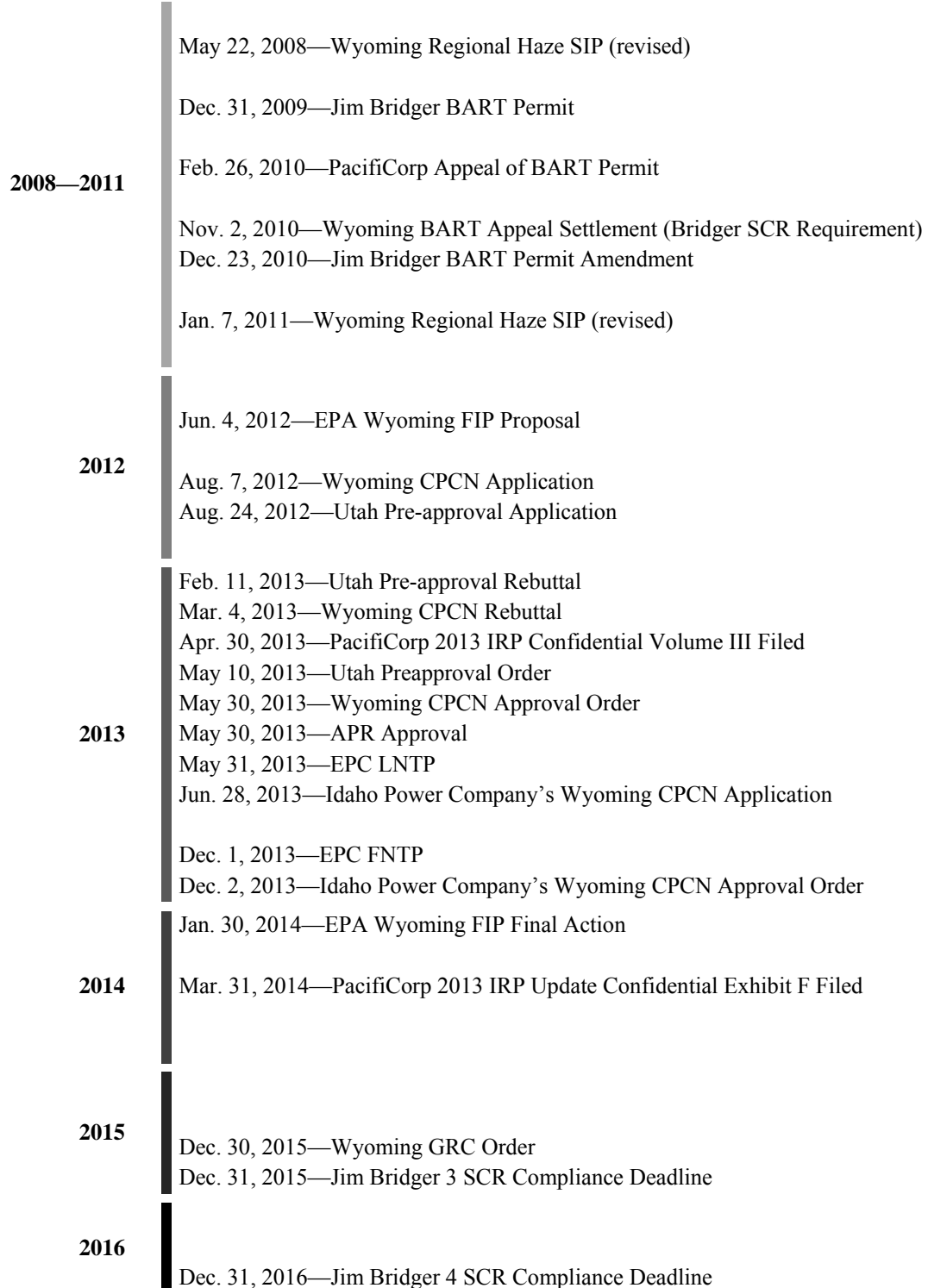
10 A. Yes. The Bridger SCRs were fully vetted in numerous different processes, helping to  
11 confirm that they were the best compliance options for customers.

12 **Q. Have you prepared a timeline that reflects the life cycle of the Bridger SCRs**  
13 **from the draft Wyoming SIP to the final completion date later this year?**

14 A. Yes. Figure 1 contains the major milestones in the life cycle of this project.



## Figure 1—Bridger SCRs Timeline



1 **Q. Throughout this process, did the Company use the models and analytical**  
2 **approaches developed and applied in its IRP to evaluate the Bridger SCRs?**

3 A. Yes.

4 **Q. Have Staff and Sierra Club previously recognized the rigor of the Company's**  
5 **IRP process?**

6 A. Yes. For example, in a comment submitted during the Company's 2015 IRP  
7 stakeholder outreach process, Mr. Twitchell wrote:

8 I want to begin by restating my respect and appreciation for the  
9 work that IRP team has done. There are a number of  
10 unprecedented challenges on the table in this planning cycle,  
11 and the IRP team has consistently proven nimble and creative  
12 in developing approaches to modeling those challenges. The  
13 work has been strong, well presented and understandable. I  
14 believe that PacifiCorp sets the bar for other utilities with the  
15 quality and depth of its IRP process.<sup>2</sup>

16 Over the last several years, Dr. Fisher has referenced PacifiCorp's IRP as the  
17 model that should be emulated by utilities in other jurisdictions.<sup>3</sup> For example, in  
18 2014, Dr. Fisher pointed to PacifiCorp's carbon modeling when testifying how an  
19 Oklahoma utility should model future costs associated with environmental  
20 regulation.<sup>4</sup>

21 **Q. Have others in the industry similarly recognized the high quality of PacifiCorp's**  
22 **resource planning and modeling?**

23 A. Yes. In 2013, the Regulatory Assistance Project (RAP) co-authored a paper with  
24 Dr. Fisher's firm, Synapse Energy Economics, Inc., on electric utility resource  
25 planning. RAP and Synapse wrote that the Company's IRP uses "progressive

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<sup>2</sup> Exh. No. CAT-15.

<sup>3</sup> Exh. No. CAT-16.

<sup>4</sup> Exh. No. CAT-17.

1 methodologies and contain[s] modern elements that contribute to the production of  
2 high-quality plans that are useful examples of superior resource planning efforts.”<sup>5</sup>  
3 The publication further describes the Company’s System Optimizer Model, which  
4 was used to evaluate the SCRs, as the “most comprehensive” model RAP and  
5 Synapse examined for the report.<sup>6</sup>

6 **Q. Please explain the timing and process by which the Company decided to make**  
7 **the investments in the SCRs.**

8 A. The Company authorized the Bridger SCRs in May 2013, before execution of the  
9 EPC contract for the project, as required by the Company’s governance policies. The  
10 authorization process included a series of reviews by the project team, environmental  
11 compliance personnel, plant personnel including the managing director of the facility,  
12 the business unit controller, the vice president of strategy and development  
13 responsible for project development and implementation, PacifiCorp’s vice president  
14 of finance, the chief financial officer of PacifiCorp, the President and chief executive  
15 officer of what was known at the time as PacifiCorp Energy, and the chief executive  
16 officer of PacifiCorp via delegation of authority. A list of the individuals involved in  
17 the authorization review process is provided in Confidential Exhibit No. CAT-18C.

18 **Q. Was the review of the Bridger SCR investments fully consistent with the**  
19 **Company’s governance policies?**

20 A. Yes. PacifiCorp’s governance policy for major expenditures sets forth the structured  
21 requirements for the internal review and approval process. Regarding authorization  
22 of major expenditures, the governance policy states:

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<sup>5</sup> Exh. No. CAT-19.

<sup>6</sup> *Id.*

1 Signature authorities for executing contracts and approving  
2 expenditures are detailed in Appendix 1 and within this document.  
3 These limits are subject to and, where appropriate, apply after the  
4 underlying matter has been reviewed and approved in accordance with  
5 Company procedures and this policy. This includes, but is not limited  
6 to, contract review by the appropriate business unit legal counsel and  
7 finance staff.

8 I have attached the Company's governance policy as Confidential Exhibit No. CAT-  
9 20C.

10 **Q. Staff's testimony implies that the Company's decision-making in this case should**  
11 **be more heavily scrutinized because the Company does not have a formal board**  
12 **of directors that approves major resource decisions.<sup>7</sup> Please respond.**

13 A. Based on my understanding, the Commission's prudence standard also refers to  
14 decision-making by "company management."<sup>8</sup> In a prudence review in the  
15 Company's 2013 rate case, the Commission allowed the decision-making of the  
16 Company's senior executive to stand in for a decision of the board of directors,  
17 because such action was consistent with Company policy.<sup>9</sup> The Company's decision-  
18 making process in this case was fully consistent with its governance policy, so there  
19 is no basis for applying a different review standard.

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<sup>7</sup> Twitchell, Exh. JBT-1CT, 14:8-14.

<sup>8</sup> *Id.*, 12:7.

<sup>9</sup> *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-130043, Order 05, ¶ 261 (Dec. 4, 2013) ("[a]lthough the Board of Directors was not the final decision maker in any of these matters, the decisions were appropriately made by a senior executive, consistent with Company policy.")

1 **Q. Staff points to the Company’s “proposals” provided as attachments to WUTC**  
2 **Data Request 90<sup>10</sup> and implies that these represent the entirety of the**  
3 **information considered by Company personnel responsible for reviewing and**  
4 **approving the Bridger SCRs. Is this correct?**

5 A. No. While the appropriation request (APR) documents Staff reviewed (which Staff  
6 calls “proposals”) are the fundamental components of the Company’s structured  
7 review and approval process, the complex nature and many stages of the multi-year  
8 project life cycle of the Bridger SCRs were also known, documented, and considered  
9 as part of the overall review and approval process. Please refer to Confidential  
10 Exhibit No. CAT-21C,<sup>11</sup> dated April 24, 2013, and Confidential Exhibit No. CAT-  
11 22C, dated May 22, 2013, which offer additional detail regarding the information the  
12 Company considered when approving the APRs and execution of the EPC contract  
13 (i.e., release of the LNTP) in the May 2013 timeframe.

14 **Q. Were the APR documents “inaccurate and incomplete” as Staff asserts?**

15 A. No. While Staff takes issue with the fact that the APR documents very clearly  
16 reference and annotate the present value revenue requirement difference (PVRR(d))  
17 results for each unit from the Company’s initial CPCN, Utah voluntary preapproval,  
18 and 2013 IRP filings in the initial summary pages of the documents,<sup>12</sup> Staff ignores  
19 the fact that the APR documents also dedicate an entire section to describing the  
20 updates to the Company’s analysis results between those initial filings and the May  
21 2013 timeframe when the APR documents were prepared for final review and

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<sup>10</sup> Twitchell, Exh. No. JBT-10C.

<sup>11</sup> Although this document was originally labeled as privileged, the Company is providing a confidential version of the document.

<sup>12</sup> Twitchell, Exh. No. JBT-10C, 4.

1 approval.<sup>13</sup> To assert that the Company somehow intentionally “downplayed” the  
2 significance of updated information is simply untrue. “Downplaying” updated  
3 information would have been effectively impossible within an organization so fully  
4 engaged in the parallel paths of ongoing regulatory, permitting, and procurement  
5 activities for these projects.

6 **Q. Is Staff’s assertion that the Company’s APR documents “intentionally de-**  
7 **emphasized the risk of future carbon emission regulations” accurate?**

8 A. No. The Company’s economic analysis of the Bridger SCRs, as described in detail in  
9 the APR documents, clearly includes assessment of six different scenarios  
10 representing different combinations of natural gas and carbon dioxide price  
11 assumptions. With respect to carbon dioxide in particular, the Company’s base-case  
12 assumptions assume a carbon dioxide cost of \$16 per ton in 2021, escalating at three  
13 percent plus inflation. The single sentence that Staff highlights was used in each of  
14 the APR documents to specifically explain why the Company chose to assume a zero-  
15 dollar carbon dioxide price for its *low carbon scenario* in the assessment.<sup>14</sup> The  
16 statement is entirely reasonable when properly considered in context.

17 **Q. Does Staff provide any evidence to support its argument that the Company**  
18 **should have re-assessed its base-case carbon-dioxide cost assumptions based**  
19 **upon President Obama’s June 25, 2013 direction to EPA to develop and**  
20 **implement the Clean Power Plan?**

21 A. No. Staff provides no evidence that the Company’s \$16-per-ton assumption was  
22 unreasonable when considering what was known at the time. In fact, Staff fails to

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<sup>13</sup> Twitchell Exh. No. JBT-10C, 21-23.

<sup>14</sup> *Id.*, 19.

1 acknowledge that the Company included significant carbon dioxide costs in its base-  
2 case assessment of the Bridger SCRs.

3 President Obama's June 25, 2013 directive did not establish a clearly defined  
4 methodology to implement future greenhouse gas regulations, nor did it include a  
5 directive to implement a specific carbon tax or carbon market price. In fact, the EPA  
6 did not publish its proposed Clean Air Act section 111(d) rulemaking until June 18,  
7 2014, and did not issue its final section 111(d) rule until October 24, 2015.

8 **Q. Does the Company concur with Staff's assertion that December 1, 2013, is the**  
9 **correct time for evaluating the prudence of the Bridger SCRs?**

10 A. No, not in isolation. The normal timing for evaluating the prudence of utility  
11 decision-making is when the project is approved to proceed and contracts are  
12 executed. For the Bridger SCRs, this was May 2013. In this case, the Company  
13 prudently and effectively negotiated a commercial structure to the EPC contract that  
14 provided risk mitigation and facilitated timely decision-making on a number of fronts  
15 that could have impacted the projects both positively and negatively through the  
16 December 2013 timeframe. While it is relevant to consider how the Company  
17 managed the first stage of the EPC contract from the LNTP in May 2013 to the FNTP  
18 in December 2013, this consideration should not be blind to the Company's  
19 significant review process in May 2013, nor to the fact that the structure of the EPC  
20 contract itself is evidence of the Company's prudence.

21 **Q. Did the Company consider additional information before providing the FNTP to**  
22 **the EPC contractor in December 2013?**

23 A. Yes. As described in Mr. Link's direct and rebuttal testimonies in this proceeding,

1 the Company's assessment of the economic merits of the Bridger SCRs before release  
2 of the FNTP to the EPC contractor continued to support the projects.<sup>15</sup> A detailed  
3 overview of other information considered by the Company before releasing the FNTP  
4 is provided in Confidential Exhibit No. CAT-23C, dated December 5, 2013.

5 **Q. Staff and Sierra Club argue that, by December 2013, the Bridger SCRs had**  
6 **become uneconomic as compared to natural gas conversion, so the Company**  
7 **should not have released the FNTP. Please respond.**

8 A. Staff and Sierra Club paint an inaccurate and incomplete picture of the relative  
9 economics of the Bridger SCRs at the FNTP stage. First, as Mr. Link and  
10 Mr. Ralston explain in their rebuttal testimonies, the updated forward market price  
11 curves and coal cost information available to the Company when releasing the FNTP  
12 continued to support the SCRs as the least expensive option for customers. To argue  
13 otherwise, Staff and Sierra Club have relied on aggressive positions that cannot  
14 withstand analytic scrutiny.

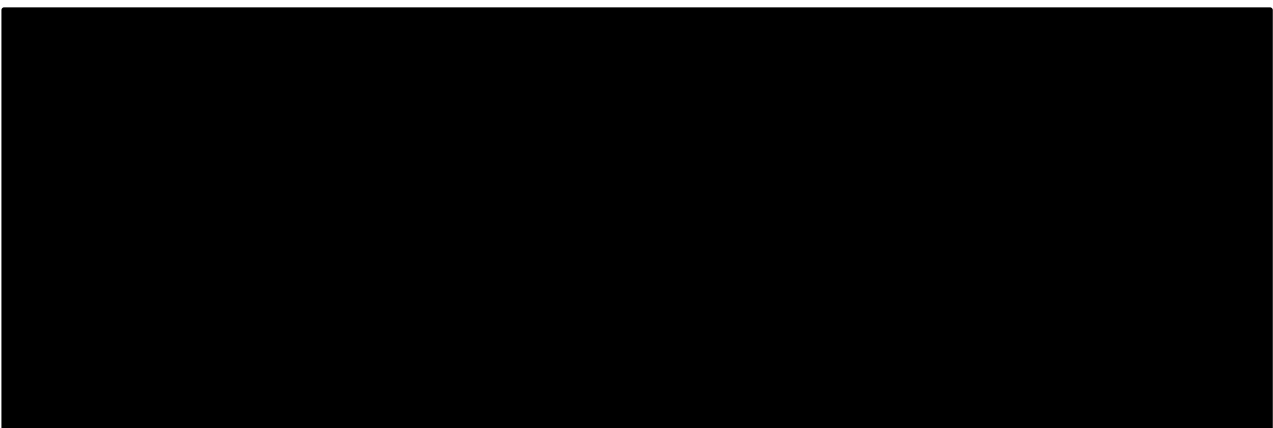
15 Second, at the time the Company evaluated the FNTP, the Company was  
16 aware of a significant reduction in the final negotiated and executed EPC contract  
17 costs, as compared to the EPC contract cost estimates used in the Company's base-  
18 case analyses. The EPC cost was approximately [REDACTED] less for PacifiCorp's  
19 share as joint owner than originally estimated, as shown in Confidential Figure 2  
20 below. This tangible adjustment supported execution of the FNTP.

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<sup>15</sup> Link, Exh. No. RTL-1CT, 20:9-21:9, Exh. No. RTL-11CT, 10:19-11:7, 18:3-22:6.



**CONFIDENTIAL FIGURE 2**



1 Third, as noted above, in December 2013, the Company's inclusion of a  
2 carbon dioxide cost in its base-case analysis of the Bridger SCRs was reasonable  
3 given the fact that the President's Clean Power Plan announcement did not include a  
4 defined methodology to reduce carbon dioxide emissions, and certainly did not  
5 mandate a carbon dioxide cost impact on a unit-by-unit basis.

6 In summary, in fall 2013, there was no definitive or tangible driver that the  
7 Company identified or should have identified that warranted changing the Company's  
8 decision about the Bridger SCR investments. In fact, the tangible adjustment from the  
9 final negotiated EPC contract cost know at this time further supported the projects.

10 **Q. Has the Company effectively and prudently managed the risks associated with**  
11 **the Bridger SCRs?**

12 A. Yes. As described above and in my direct testimony in this docket, the Company  
13 engaged on several fronts to effectively and prudently manage the risks associated  
14 with the Bridger SCRs. On the regulatory front, the Company engaged its  
15 stakeholders and regulators in rigorous reviews of the projects before committing to  
16 the major expenditures that the projects entail. In parallel to those regulatory reviews,

1 the Company negotiated the LNTP concept into the EPC contract for the projects to  
2 allow as much time as possible for reviews in other regulatory dockets to proceed,  
3 federal action on the state of Wyoming’s Regional Haze compliance requirements to  
4 progress, the Company’s joint owner to get regulatory approval of a CPCN for its  
5 share of the project, and potential scope and schedule changes that could have  
6 resulted from those processes to be considered and integrated into project plans  
7 before releasing FNTP to the EPC contractor. At the same time, the Company  
8 committed to deliver the projects within the cost structures agreed to in the regulatory  
9 proceedings in Utah and Wyoming, while knowing that it would be held accountable  
10 in subsequent prudence reviews of the Company’s management of the projects.

11 **Q. Was the Company granted “carte blanche authorization” by the states of Utah  
12 and Wyoming via the CPCN and voluntary procurement pre-approval  
13 proceedings regarding the Bridger SCRs in those states, as Staff asserts?**

14 A. No. As Staff correctly highlights in its testimony, the Utah Public Service  
15 Commission’s order in the Bridger SCR voluntary procurement pre-approval docket  
16 includes the following language:

17 [T]he approval of resource decision projected costs in this Order is  
18 conditioned on the Company acting prudently when responding to  
19 potential new information and changed conditions.<sup>16</sup>

20 In Wyoming, the Public Service Commission’s order in the Bridger SCR CPCN  
21 docket states:

22 [T]he Parties agree that they will not challenge the Company's  
23 prudence or recovery of the costs associated with that facility in any  
24 future Wyoming rate case *except to the extent* that (1) the cost of the

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<sup>16</sup> *In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Construct Selective Catalytic Reduction Systems on Jim Bridger Units 3 and 4*, Utah PSC Docket No. 12-035-092, Redacted Report and Order at 34 (May 10, 2013).

1 environmental project exceeds the estimated costs or (2) there is  
2 evidence of mismanagement. If such circumstances ever exist, any  
3 challenge to the environmental project will be limited to the prudence  
4 of the construction costs in excess of the estimated costs or the impact  
5 of the mismanagement.<sup>17</sup>

6 Neither of these outcomes grant the Company “carte blanche authorization” for the  
7 Bridger SCRs, nor has the Company ignored market conditions or unfairly shifted all  
8 risk associated with the Bridger SCRs to customers, as Staff asserts. The Company  
9 takes its obligation to safely, effectively, and prudently manage its major generation  
10 resource projects very seriously. The Company recognizes that it has the burden of  
11 proof to demonstrate the prudence of the Bridger SCRs to the Washington  
12 Commission, as is apparent from the Company’s extensive testimony on this issue.

13 **Q. Staff claims that the Company ignored the Commission’s requests for additional**  
14 **analysis on the Bridger SCRs in the 2013 IRP Update. Please respond.**

15 A. As set forth in my direct testimony, the Company respectfully disagrees with this  
16 characterization. Mr. Link responds to this issue in detail in his rebuttal testimony.

#### 17 PROJECT SCOPE AND TIMING

18 **Q. Does Sierra Club mischaracterize the flexibility of Regional Haze compliance**  
19 **deadlines for the Bridger SCRs?**

20 A. Yes. Sierra Club asserts that “the Company had no legal obligation to begin planning  
21 for the SCR systems until January 2014, when EPA issued its final decision.”<sup>18</sup> This  
22 statement is patently untrue and unsupportable.

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<sup>17</sup> *In the Matter of the Application of Rocky Mountain Power for Approval of a Certificate of Public Convenience and Necessity to Construct Selective Catalytic Reduction Systems on Jim Bridger Units 3 and 4 Located Near Point of Rocks, Wyoming*, Wyoming PSC Docket No. 20000-418-EA-12 (Record No. 13314), Memorandum Opinion, Findings and Order Granting Application for a Certificate of Public Convenience and Necessity at 7 (May 29, 2013).

<sup>18</sup> Fisher, Exh. No. JIF-1CT, 28fn. 66.

1 **Q Is Sierra Club aware the Company is under a legally enforceable obligation to**  
2 **the state of Wyoming to meet compliance deadlines despite any lack of ruling by**  
3 **the EPA?**

4 A. Yes. Sierra Club's witness in this proceeding, Dr. Fisher, has also been a witness for  
5 Sierra Club in several dockets where this issue was previously litigated, so he is well  
6 aware that the Company is under a legally enforceable obligation to complete the  
7 SCRs or otherwise meet the associated unit-specific emission limits on Jim Bridger  
8 Units 3 and 4 if the Company is going to continue to operate these units, with or  
9 without an EPA ruling. These legal obligations were established in the Best  
10 Available Retrofit Technology (BART) appeal settlement agreement<sup>19</sup> between the  
11 state of Wyoming and the Company, the Wyoming SIP, and the BART permit issued  
12 by the state of Wyoming.

13 **Q. Considering the complexity of the Bridger SCRs, as well as the lengthy project**  
14 **life cycle information presented above, could the Company have deferred the**  
15 **start of planning for the SCRs until after the EPA's final action in January 2014**  
16 **and still have met the prescribed and legally enforceable compliance deadlines?**

17 A. No. In the Wyoming CPCN and the Utah pre-approval dockets, Dr. Fisher provided  
18 similar testimony on the Company's ability to postpone these investment decisions  
19 for several years. The Utah Public Service Commission and the Wyoming Public  
20 Service Commission reviewed and rejected Dr. Fisher's arguments, finding that the  
21 Company was legally required to comply with the timelines set in Wyoming's SIP.<sup>20</sup>

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<sup>19</sup> See Exhibit No. CAT-24.

<sup>20</sup> *In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Construct Selective Catalytic Reduction Systems on Jim Bridger Units 3 and 4*, Docket No. 12-035-92, Report and Order (May 10, 2013); *In the Matter of the Application of Rocky Mountain Power for Approval of a*

1 **Q. Did the Company specifically query the state of Wyoming regarding the**  
2 **enforceability and applicability of these obligations?**

3 A. Yes. The state of Wyoming responded that the Company was required to comply  
4 with the deadlines set in the Wyoming SIP. The Company previously provided this  
5 response to Sierra Club in the Wyoming CPCN. The Company's request and the  
6 state's response are attached as Exhibit No. CAT-25 and Exhibit No. CAT-26,  
7 respectively.

8 **Q. Is Dr. Fisher's assertion regarding timelines for the Bridger SCRs also contrary**  
9 **to positions that Sierra Club has taken in comments filed with the EPA in the**  
10 **Wyoming Regional Haze docket?**

11 A. Yes. Dr. Fisher's statement that Company could have deferred the start of planning  
12 for the SCRs until after the EPA's final action in January 2014 is contrary to the  
13 position taken previously by Sierra Club in comments filed with the EPA on the  
14 Wyoming SIP regarding the Jim Bridger SCRs 2015 and 2016 compliance deadlines.  
15 Sierra Club's comments state in pertinent part:

16 EPA's proposal would require installation of SCR plus low-NOx  
17 burners/SOFA by 2015 at Unit 3 and 2016 at Unit 4. 77 Fed. Reg. at  
18 33035. However, EPA also is seeking comment on an alternative that  
19 would allow PacifiCorp to install SCR at Jim Bridger Units 3 and 4  
20 within 5 years from the date of EPA's final action. *Id.* at 33053.  
21 EPA's reasoning is that this alternative would allow PacifiCorp the  
22 flexibility to determine the implementation schedule for BART  
23 controls on all four Jim Bridger units. Because EPA's initial proposal  
24 to require BART installation by 2016 best complies with the statutory  
25 requirement that BART be installed and operated —as expeditiously

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*Certificate of Public Convenience and Necessity to Construct Selective Catalytic Reduction Systems on Jim Bridger Units 3 and 4 located near Point of Rocks, Wyoming, Docket No. 20000-418-EA-12, Record No. 13314, (August 9, 2013).*

1 as practicable, 42 U.S.C. § 7491(b)(2)(A), we support EPA’s proposal  
2 over the alternative for Jim Bridger Units 3 and 4.<sup>21</sup>

3 In other words, in the EPA docket to review the Wyoming SIP, Sierra Club  
4 filed comments on August 2012 advocating that the Company be held to the 2015 and  
5 2016 compliance deadlines for the Jim Bridger units. But Sierra Club’s position in  
6 this case and in the EPA proceeding are not reconcilable—it would be impossible to  
7 meet the 2015 and 2016 deadlines if PacifiCorp had waited to act until after issuance  
8 of the EPA’s decision in January 2014. Sierra Club’s testimony here does not  
9 acknowledge its shifting positions on this issue, which appear to be driven by  
10 competing desired outcomes in related regulatory processes.

11 **Q. To be clear, has EPA approved the state of Wyoming’s Regional Haze**  
12 **compliance requirements for Jim Bridger Units 3 and 4?**

13 A. Yes. EPA approved these requirements in its final Regional Haze Federal  
14 Implementation Plan (FIP) for Wyoming published in the *Federal Register* on June 4,  
15 2012. EPA reiterated its approval of these requirements in its updated Regional Haze  
16 FIP for Wyoming published in the *Federal Register* on January 30, 2014. EPA’s  
17 final approval makes these emissions reduction compliance requirements at Jim  
18 Bridger Units 3 and 4 federally enforceable, in addition to being enforceable under  
19 state law.

## 20 CONCLUSION

21 **Q. Please summarize your testimony.**

22 A. The Company prudently and reasonably assessed and approved the installation of the  
23 Bridger SCRs through a robust review process, consistent with a well-established

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<sup>21</sup> See comments at: <http://www.regulations.gov/#!documentDetail;D=EPA-R08-OAR-2012-0026-0056> at pages 23 – 24.

1 governance policy. The Company did not ignore new information available before  
2 releasing the FNTP to the EPC contractor. In fact, the Company deliberately  
3 negotiated and used the EPC contract LNTP provisions to further mitigate project risk  
4 and limit outlay of costs, while facilitating confirmation of parallel path regulatory  
5 reviews, permit requirements, and market conditions up to the last feasible point in  
6 time, December 2013. The Company balanced the need to carefully review the  
7 Bridger SCRs with the need to meet the critical path implementation schedule, meet  
8 compliance deadlines, and allow continued compliant operation of these key  
9 generation resources on behalf of customers.

10 Sierra Club's mischaracterizations on compliance timeline flexibility have  
11 been thoroughly refuted not only by the Company in past regulatory proceedings, but  
12 also directly through correspondence from the state of Wyoming.

13 Whether assessed in May 2013 or December 2013, the Company prudently  
14 evaluated and implemented the Bridger SCRs.

15 **Q. Does this conclude your rebuttal testimony?**

16 A. Yes.