

## **Idaho Public Utilities Commission**

Case No. IPC-E-13-16, Order No. 32912

October 29, 2013

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### **Dates set for Bridger plant public and technical hearings**

The Idaho Public Utilities Commission set a Nov. 25 date for a public hearing regarding Idaho Power Company's application for a certificate that would allow the utility to include about \$130 million in its rate base for emissions control improvements to two of the four generating units at the Jim Bridger coal-fired power plant near Rock Springs, Wyo. If granted, the application does not immediately impact customer rates.

Idaho Power has one-third ownership of the plant, which it calls the "workhorse" of its thermal fleet. The two units requiring upgrades have a baseload capacity of 351 megawatts, or about 19 percent of Idaho Power's total baseload capacity.

The utility is seeking a commission order granting it a Certificate of Public Convenience and Necessity (CPCN) by no later than Nov. 29 that would give assurance to the company that its prudently incurred costs in making the plant upgrades would be included in rates.

A public hearing on the company's application is set for Nov. 25 at 7 p.m. in the commission hearing room at 472 W. Washington St. Those not attending the hearing can also submit written comment through Nov. 25. Written comment carries the same weight as oral testimony.

The commission is rescheduling the technical hearing to Thursday, Nov. 7, at 9:30 a.m. in the commission hearing room. During the technical hearing, parties to the case, including Idaho Power, commission staff, the Industrial Customers of Idaho Power, the Idaho Conservation League and the Snake River Alliance will present their testimony and exhibits and be available for cross-examination. While the technical hearing is open to the public, public testimony is reserved for the hearing on Nov. 25.

In addition to the certificate, Idaho Power seeks a binding commitment from the commission that the PUC will provide rate treatment for amounts up to the company's commitment estimate. Should the project come in over the estimate, Idaho Power would have to demonstrate that the amounts above the estimate were needed and prudently incurred. If allowed, the projected \$130 million would not be recovered at once but amortized over several years. Idaho Power estimates the Idaho portion of rates would increase the utility's annual revenue requirement by about \$18.8 million.

Idaho Power seeks the binding ratemaking treatment "because of the magnitude of the investment and the uncertainty surrounding coal-fired generation in today's

political and social environment.” The utility said it does not believe Idaho law requires a CPCN for plant upgrades such as this but “requests a CPCN so that a public process is initiated to provide the company, commission and interested parties a regulatory forum to fully vet these contested issues.” Typically, a CPCN is granted for new power plants or major transmission expansion and generally not for improvements to existing plant.

Idaho Power maintains the emissions improvements to the coal plant are needed to comply with Clean Air Act regional haze rules that require controls to limit nitrogen oxide emissions by December 2015 on Jim Bridger Unit 3 and December 2016 on Unit 4. The rules, drawn up by the State of Wyoming, require that the owners of the Bridger units install the necessary controls or discontinue operation. If a federal ratification of the Wyoming rules comes as anticipated on or about Nov. 21, the rules become federally enforceable. The regional haze rules are designed to improve visibility in national parks and wilderness areas.

PacifiCorp, as a majority partner and owner-operator of the Bridger facility, is moving forward with installing the controls. It received a CPCN in both Utah and Wyoming in May of this year.

Idaho Power claims it considered other options, including replacing the Bridger output with natural gas-fired generation. The company claims the Bridger upgrades are the least-cost option. It says the Bridger plant has the lowest dispatch cost of Idaho Power’s thermal generation fleet.

The commission staff, which operates independently of the commissioners, agreed with the company’s analysis that the upgrades are more economically favorable to customers. The staff said any alternatives to investing in Bridger emissions controls must be dispatchable and reliable year-round. Further, staff said, the alternatives must be constructed and operational by the federal compliance deadline. According to an Idaho Power analysis, natural gas prices would have to decrease by 52 percent to make natural gas conversion more economically favorable. Carbon dioxide emissions (CO<sub>2</sub>) prices would need to be 423 percent more than the company’s baseline forecasted carbon prices to make the option to retire the units the replace them with other generation sources more favorable.

While commission staff supports issuance of the certificate, it is recommending that \$81.38 million be pre-approved for ratemaking treatment rather than the company’s \$130 million, noting that some of the company’s requested amounts are not as certain as others. “... Binding ratemaking treatment in this case should be limited to only those expense categories that are necessary and known and measurable with a high level of certainty,” commission staff said. The staff also recommended that each category of costs be pre-approved individually rather than from a total project cost perspective.

The Industrial Customers of Idaho Power (ICIP) does not oppose the certificate, but opposes pre-approved ratemaking treatment. “There is no compelling reason the commission needs to bind itself or future commissions with these investments at

this time," ICIP said. If the commission were to pre-approve the investments, it should then consider reducing the company's Return on Equity, ICIP said. "Such favored regulatory treatment surely does not carry the same risk as standard investments that must wait until they are in the ground, used-and-useful and proven prudent after that fact."

The Snake River Alliance opposes the CPCN but said that if the certificate is approved, it should not include binding ratemaking commitments. The alliance claims Idaho Power is understating the cost of likely environmental compliance measures and didn't examine other alternatives like energy efficiency and renewable sources. Once Idaho Power is committed to the investments in the upgrades, further investment to meet new but unknown regulatory requirements will be more difficult to resist and will extend the life of the coal plants beyond the anticipated life of the plants, the SRA claims. Further, SRA said, Idaho Power is not including in this application the costs of what it will cost to meet the federal MATS (Mercury and Air Toxics Standards) rule. The SRA further claims that Idaho Power's application is premature because the federal Environmental Protection Agency has yet to accept Wyoming's state implementation plan and PacifiCorp has joined with other groups to oppose federal haze reduction requirements.

The Idaho Conservation League claims the risks associated with investing in coal generation have not been adequately characterized or compared to risks associated with other options. "The application cannot credibly claim to present the lowest risk alternative when it does not capture the entire range of future coal pollution control costs," the ICL said. Further, the ICL said the state Energy Plan gives higher priority to conservation, energy efficiency, demand response and renewable resources than it does to thermal-based sources for generation.

To read Idaho Power's application and the accompanying testimony of commission staff and other parties to the case, go to [www.puc.idaho.gov](http://www.puc.idaho.gov) and click on "Open Cases" under the Electric heading. Scroll down to Case No. IPC-E-13-16.

Comments are accepted via e-mail by accessing the commission's Web site and clicking on "Case Comment or Question Form," under the "Consumers" heading. Fill in the case number (IPC-E-13-16) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

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