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July 31, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
201 High Street SE, Suite 100
Salem, Oregon 97301

**Re: UE 333 – Idaho Power Company’s Annual Power Cost Update
Compliance Filing for Jim Bridger Long-Term Fueling Plan Supplemental
Analysis**

Attention Filing Center:

In compliance with the Settlement Stipulation approved by Order No. 18-170 in Idaho Power Company’s (“Idaho Power” or “Company”) 2018 Annual Power Cost Update, Docket No. UE 333, the Company hereby submits the attached REDACTED Supplemental Long-Term Fueling Plan Analysis: Jim Bridger Plant. Confidential copies will be sent to the Filing Center and parties who have signed the Protective Order (Order No. 17-443) via US Mail.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Attachment

e-FILING REPORT COVER SHEET

REPORT NAME: Supplemental Long-Term Fueling Plan Analysis: Jim Bridger Plant

COMPANY NAME: Idaho Power Company

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water)
 RO (Other)

Report is required by: OAR
 Statute
 Order No. 18-170
 Other

Is this report associated with a specific docket/case? No Yes
If Yes, enter docket number: UE 333

Key words:

If known, please select the PUC Section to which the report should be directed:

- Corporate Analysis and Water Regulation
- Economic and Policy Analysis
- Electric and Natural Gas Revenue Requirements
- Electric Rates and Planning
- Natural Gas Rates and Planning
- Utility Safety, Reliability & Security
- Administrative Hearings Division
- Consumer Services Section

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- Any other Telecommunications Reporting or
- Any daily safety or safety incident reports or
- Accident reports required by ORS 654.715.

Idaho Power Company
Supplemental Long-Term Fueling Plan Analysis: Jim Bridger Plant
July 31, 2018

I. BACKGROUND

The Jim Bridger Plant (“Bridger”) is a four-unit coal-fired plant located in Sweetwater County, Wyoming, and is jointly owned by Idaho Power Company (“Idaho Power” or “Company”) and PacifiCorp. Bridger is supplied with coal from Bridger Coal Company (“BCC”), which is a mine-mouth operation that supplies coal to plant via a conveyor system, and is also jointly owned by Idaho Power and PacifiCorp. In addition to coal deliveries from BCC, Bridger has historically received the remaining portion of its coal supply requirements from the nearby Black Butte mine (“Black Butte”).

In 2017, Idaho Power and PacifiCorp were in negotiations with Black Butte to secure a renewal coal supply contract for 2018-2021. Together, Idaho Power and PacifiCorp evaluated five potential near-term fueling options from Black Butte. The five options, Options A – E, contained varying coal volumes, pricing, and terms. During this time, Idaho Power and PacifiCorp were also developing the long-term fuel supply plan (“LTFP”) for Bridger. LTFPs are developed to inform a least-cost, least-risk coal supply option on a multi-year basis. In reviewing the coal supply options presented by Black Butte, Idaho Power and PacifiCorp evaluated the cost and risks from a near-term as well as a long-term perspective to support the Bridger LTFP. In January 2018, PacifiCorp presented the determination of the least-cost, least-risk option, Option A, selected by Idaho Power and PacifiCorp to meet the fueling needs at Bridger.

During Idaho Power’s 2018 Annual Power Cost Update (“APCU”) proceeding, Docket No. 333, Public Utility Commission of Oregon (“Commission”) Staff suggested that the volume and pricing of Black Butte contract Option B, combined with an adjusted mine plan for BCC, is potentially the least-cost option.¹ In the Settlement Stipulation (“Stipulation”) approved by Order No. 18-170 in the 2018 APCU, the Company agreed to provide to the stipulating parties a supplemental analysis of the LTFP for Bridger based on information known at the time of its creation. Specifically, Idaho Power agreed to compare the costs of Black Butte coal contract Options A and B, which are discussed in further detail below.² In compliance with Order No. 18-170, the Company is providing the following report and accompanying analysis comparing Black Butte Options A and B in support of Idaho Power’s position that the selection of Option A represented the least-cost, least-risk fuel supply option for Bridger.

II. BLACK BUTTE OPTIONS A AND B

Idaho Power and its ownership partner in Bridger and BCC, PacifiCorp, selected Option A and executed a coal contract with Black Butte for coal deliveries for 2018-2021. As mentioned above, Option A was chosen as it represented the least-cost, least-risk fuel supply option for Bridger for this period. Additionally, Option A was selected because it also provides for significant cost savings over the life of Bridger.

¹ Opening Testimony of Lance Kaufman, Docket No. UE 333, pp. 10-13.

² Settlement Stipulation, Docket No. UE 333, p. 7, line 21 – p. 8, line 2.

The terms of Black Butte contract Option A included deliveries of [REDACTED] tons per year for four years (2018-2021). Note the 2018 delivered tons are reduced by [REDACTED] tons due to carryover from the prior contract. As a result, coal deliveries under Option A totaled approximately [REDACTED] tons. In conjunction with a [REDACTED] tons per year mine plan for BCC, the approximate [REDACTED] tons per year fueling requirement for Bridger for 2018-2021 would be met.

As a point of clarification, the final contracted “take or pay” volume under Black Butte Option A may be delivered over a total of 52 months. Based on heating value requirements and inventory levels at Bridger, [REDACTED] tons will be delivered in 2018-2021, compared to [REDACTED] tons referenced in the *PacifiCorp Long-Term Fuel Supply Plan for the Jim Bridger Plant* filed with the Commission in March 2018.³ Through negotiations, Black Butte allowed for the final year’s obligation of [REDACTED] tons to be delivered over a 16-month period. A summary of the overall heating requirements used in the analysis of Option A (and Option B) is listed here.

Bridger Heating Value Requirements (2018-2021)	MMBtus 2018-2021
PacifiCorp	[REDACTED]
Idaho Power	[REDACTED]
Total	[REDACTED]

As mentioned previously, during the 2018 APCU proceeding, Commission Staff suggested that the volume and pricing of Black Butte contract Option B, combined with an adjusted mine plan for BCC, is potentially the least-cost option. The terms of Black Butte contract Option B included deliveries of [REDACTED] tons per year for four years (2018-2021). Again, the 2018 delivered tons are reduced by [REDACTED] tons due to carryover from the prior contract; therefore, coal deliveries under Option B totaled approximately [REDACTED] tons.

As part of settlement discussions in Docket No. UE 333, Idaho Power agreed to evaluate the costs associated with Black Butte contract Option B and the resulting need for increased volumes from BCC to meet the approximate [REDACTED] tons per year fueling requirement for Bridger for 2018-2021. Utilizing the finalized forecasted heating value requirements for the 2018-2021 period, Idaho Power would require an additional [REDACTED] ton delivery of incremental coal from BCC, in conjunction with Black Butte Option B, to meet fueling requirements for Bridger for 2018-2021.

III. OPTION COMPARISON ANALYSIS

Near-term Comparison (2018-2021)

The accompanying analysis compares the chosen Option A to Option B. It is based on the need to meet the overall fueling requirement at Bridger in the most economical way possible, while balancing inventory constraints and fueling requirements of each co-owner. The comparison demonstrates that the chosen plan is more economic on a total cost basis and a cost per ton basis at the plant level, and is more economic on a total cost basis and a cost

³ *In the Matter of PacifiCorp, dba Pacific Power, 2019 Transition Adjustment Mechanism*, Docket No. UE 333, Highly Confidential Exhibit PAC/204 – PacifiCorp Long-Term Fuel Supply Plan for the Jim Bridger Plant – March 2018, (March 30, 2018).

per MMBtu basis for each party individually. This table summarizes the analysis provided in an accompanying CONFIDENTIAL Excel workbook.

	Option A	Option B	Savings	\$/Ton	\$/MMBtu
Overall	██████████	██████████	██████████	██████████	██████████
Idaho Power	██████████	██████████	██████████	██████████	██████████
PacifiCorp	██████████	██████████	██████████	██████████	██████████

Plant-Level Tons

Option A: ██████████ ton BCC base; ██████████ tons Black Butte.
Option B: ██████████ ton BCC base; ██████████ tons Black Butte; ██████████ tons BCC Incremental.

Idaho Power’s Share

Option A: ██████████ ton BCC base; ██████████ tons Black Butte.
Option B: ██████████ ton BCC base; ██████████ tons Black Butte; ██████████ tons BCC Incremental.

Long-term Comparison (2022-2037)

In addition to the savings over the next four years, significant savings over the life of the plant are achieved through the chosen plan. As discussed in the *PacifiCorp Long-Term Fuel Supply Plan for the Jim Bridger Plant*, the chosen LTFP (Option F) will utilize Black Butte coal as a long-term fuel supply for Bridger. As this is the case, Idaho Power and PacifiCorp plan to negotiate another contract with Black Butte after the current contract has ended.

The second tab of the accompanying CONFIDENTIAL Excel file, titled “LTFP Black Butte Stream”, compares the costs of starting negotiations with Black Butte in 2022 at the Option A price as opposed to starting negotiations at the higher Option B price. Known pricing for Options A and B is used for 2021, after which the coal price is escalated at 2 percent. The Excel file shows the cost of starting 2022 contract negotiations at the higher Option B 2021 price of \$██████████ per ton as opposed to the Option A 2021 price of \$██████████ per ton. Over the 2022-2037 period, Option A costs \$██████████, or ██████ percent, less than Option B. Option A is also \$██████████ per MMBtu less than Option B.

IV. CONCLUSION

In selecting a coal supply contract with Black Butte, Idaho Power and PacifiCorp considered several important factors, including, but not limited to, existing BCC reserves, operation flexibility, and future contracts with Black Butte, all of which were reviewed from both a near-term and long-term perspective of providing the least-cost, least-risk fuel supply for Bridger. The companies also negotiated a joint coal contract with Black Butte, rather than securing separate coal contracts, in order to achieve favorable pricing and terms. By combining volume needs, both parties realized cost savings for customers. Through the company’s analysis and as demonstrated herein, Black Butte volume and pricing terms under contract Option A, combined with the chosen base delivery plan from BCC, represents the least-cost, least-risk fueling supply plan for its operation of Bridger for 2018-2021 and provides for cost savings over the life of Bridger.

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the confidential pages of this foregoing document in Docket UE 333 on the following named person(s) on the date indicated below by US mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: July 31, 2018



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