

June 29, 2020

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-3398

Attn: Filing Center

**RE: UE 375—Response to ALJ Bench Request Set 2**

Pursuant to Chief Administrative Law Judge (ALJ) Moser's Ruling of June 18, 2020, enclosed for filing in this docket is the Response to ALJ Bench Request No. 2.1 and the Confidential Responses to ALJ Bench Request Nos. 2.2 through 2.4. Also enclosed is Highly Confidential Attachment ALJ Bench Request 2.1.

Please direct any questions regarding this filing to Cathie Allen at (503) 813-5934.

Sincerely,



Michael Wilding  
Director, Net Power Costs & Regulatory Policy

Enclosures

**ALJ Bench Request 2.1**

Provide the confidential Ralston Supplemental Testimony (Exh. DMR-1HCT) filed at the Washington Utilities and Transportation Commission on April 1, 2020.

- (a) If PacifiCorp needs to change or update the testimony so that it fits within the Oregon TAM (as opposed to Washington's power cost methodology), please make the changes.
- (b) Please ensure the testimony fully describes the prudence of the price, term, volume, minimum take level and liquidated damage terms in the contract.

**Response to ALJ Bench Request 2.1**

Please refer to Highly Confidential Attachment ALJ Bench 2.1 for the Highly Confidential Version of the Supplemental Testimony of Dana M. Ralston (Exhibit DMR-1HCT) filed with the Washington Utilities and Transportation Commission (WUTC) on April 1, 2020, in docket UE-191024.

- (a) Please refer to Section II of the Reply Testimony of Dana M. Ralston, (Exhibit PAC/700, pages 2 through 4), in this proceeding for fuel costs related to the Oregon Transition Adjustment Mechanism.
- (b) The Company assumes that the contract referenced in subpart (b) is the coal supply agreement for the Colstrip plant which took effect January 1, 2020. Please refer to pages 2 through 6 of Highly Confidential Attachment ALJ Bench 2.1. Please also refer to the Company's response to ALJ Bench Request 2.2 subpart (a) for additional details on the minimum take and liquidated damages terms.

Highly Confidential information is designated as Highly Protected Information under the Modified Protective Order in this proceeding and may only be disclosed to qualified persons as defined in that order.

### **ALJ Bench Request 2.2**

Please provide additional detail on Colstrip's minimum take level.

- (a) How does the minimum take level compare to historic deliveries?
- (b) How does the minimum take level compare to alternative tonnage levels that PacifiCorp may have evaluated at the time of contract negotiation?
- (c) Were coal ash disposal costs considered by PacifiCorp when setting the minimum take level?
- (d) How would the minimum take level change in the event of a long-term outage in the next few years?

### **Confidential Response to ALJ Bench Request 2.2**

- (a) Over the past five years at Colstrip, from 2015 through 2019, PacifiCorp has consumed, on average, 665,000 tons of coal per year. Therefore, PacifiCorp's [REDACTED] ton annual minimum requirement is well below the five-year average consumption tonnage level. PacifiCorp's [REDACTED] ton minimum tonnage requirement represents approximately [REDACTED] percent of the previous five-year average annual coal consumption level. The [REDACTED] ton minimum tonnage requirement provides PacifiCorp with significant tonnage flexibility under the coal supply agreement (CSA). [REDACTED]  
[REDACTED]
- (b) Westmoreland, the owner and operator of the Rosebud mine, preferred a higher minimum level than was ultimately negotiated. However, PacifiCorp insisted on the [REDACTED] tons per year minimum. The [REDACTED] tons per year minimum was the lowest minimum level considered. PacifiCorp was very successful in negotiating a CSA with a wide range in terms of a minimum annual tonnage requirement of [REDACTED] tons and a maximum annual tonnage level of [REDACTED] tons.
- (c) The ash disposal costs were not considered in setting the minimum take level as part of the formal coal contract negotiations. The ash disposal costs are immaterial to the overall energy costs of the plant. The coal being consumed comes from the adjacent Rosebud mine via a conveyor belt connecting the mine to the plant. As the plant operating permit requires the consumption of Rosebud seam coal, coal from this mine is the only coal that the plant has consumed since the inception of plant operations. The CSA contains detailed coal quality specifications with the coal ash percent as one of the key

characteristics. The level of the coal ash percent was very much considered when negotiating and finalizing the CSA.

- (d) In most cases, an event resulting in a “long-term” outage would be considered a force majeure event. The CSA has specific provisions which provide tonnage relief relating to a force majeure event.

Highlighted information is designated as Protected Information under Order No. 16-128 and may only be disclosed to qualified persons as defined in that order.

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### **ALJ Bench Request 2.3**

Please explain which coal units have flexibility for PacifiCorp to adjust downward coal nominations for the upcoming year in light of COVID-19 effects such as low gas and electricity prices, which may continue into 2021.

### **Confidential Response to ALJ Bench Request 2.3**

PacifiCorp attempts to build in the maximum amount of flexibility as possible for the coal plants in order to meet company obligations. The impact of COVID-19 on energy prices in 2021 are not yet fully known and a number of issues could impact coal consumption for 2021 besides COVID-19. The snow runoff in the Columbia River Basin typically takes place during the second quarter of each calendar year, contributing to the potential for low power prices across the Pacific Northwest. The timing and magnitude of these lower power prices is dependent on the snow pack, weather conditions needed to start the snow melt and the natural gas market. This uncertainty in the runoff timing and duration will have an impact on second quarter power prices in 2021. In order to take advantage of the low loads and cheap power prices, utilities try to schedule coal plant maintenance and overhauls during this time. However, during the second quarter of 2020 a number of utilities may have delayed annual maintenance outages due to the impacts of COVID-19. This additional generation likely contributed to downward pressure on power prices in 2020 that may or may not be present in 2021. Additionally, higher than normal temperatures in the summer months can drive power prices very high at times. This uncertainty in the energy market in 2021 would help to explain why power prices next year are higher than current spot and day-ahead power and gas prices. Forward prices for 2021 have not moved significantly since the Company's last official forward price curve in March 2020.

In 2021, PacifiCorp will operate nine coal plants. The following seven coal plants within the PacifiCorp coal fleet will have significant volume flexibility with regards to reduced nominations and coal deliveries in 2021: (1) Wyodak, (2) Dave Johnston, (3) Jim Bridger, (4) Hunter, (5) Colstrip, (6) Craig, and (7) Hayden. Two of these seven plants are fueled by affiliate captive mining operations. In the case of the Jim Bridger and Craig plants, the plant and mine owners can reasonably change production and determine the appropriate volume level for the mine which provides coal to the plant. Also related to the Jim Bridger plant, in calendar year 2021, the scheduled coal deliveries from the Black Butte mine, the other coal supplier for the Jim Bridger plant, have been reduced [REDACTED]

[REDACTED]. The Dave Johnston plant is typically fueled with a portfolio of coal supply agreements of short duration, less than three years in length. [REDACTED]

[REDACTED] Coal purchases required for the remainder of the

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referenced plants (Wyodak, Hunter, Colstrip and Hayden) can be reduced through the nomination process.

PacifiCorp will make the determination on the 2021 nomination levels later in the summer of 2020. The nominations are made based upon several factors, including forward price curves for electricity and natural gas. Nomination levels are not made based upon current spot prices. Once nominations are made, the coal plants listed above may also have additional flexibility by being able to increase or decrease coal stockpile inventory levels if needed.

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**ALJ Bench Request 2.4**

Address Huntington coal costs and delivery levels.

- (a) What costs are included in the limited trucking escalation? Will trucking costs change with the current low diesel prices?
- (b) With the Castle Valley contract expiring at the end of 2020, can PacifiCorp alter the minimum delivery for the plant? Recognizing that Wolverine is a full requirements contract, what is the minimum nomination allowed? Can that minimum be renegotiated due to the expiration of the Castle Valley contract?

**Confidential Response to ALJ Bench Request 2.4**

(a) [REDACTED]

- (b) No. The 2020 minimum obligation for the plant, made up of the Castle Valley and Wolverine contract minimums combined, [REDACTED]. Beginning in 2021 and thereafter, subsequent to the termination of the Castle Valley contract, [REDACTED]. The minimum tonnage level cannot be renegotiated without all other terms and conditions of the CSA being renegotiated.

Highlighted information is designated as Protected Information under Order No. 16-128 and may only be disclosed to qualified persons as defined in that order.

## CERTIFICATE OF SERVICE

I certify that I delivered a true and correct copy of PacifiCorp's **Responses to Bench Request Set 2** on the parties listed below via electronic mail and/or or overnight delivery in compliance with OAR 860-001-0180.

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Dated this 29th day of June, 2020.

  
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