

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 420

In the Matter of

PACIFICORP d/b/a PACIFIC POWER,

2024 Transition Adjustment Mechanism

REPLY BRIEF OF SIERRA CLUB

Reply Brief of Sierra Club

Public Version

October 2, 2023

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Sierra Club respectfully submits this Reply Brief, responding to certain arguments contained in PacifiCorp’s Opening Brief.

I. Introduction

As Sierra Club explained in its Opening Brief,¹ the Public Utility Commission of Oregon (“Commission”) should direct PacifiCorp (“Company”) to adopt Scenario 4 in the 2023 Jim Bridger Long Term Fuel Supply Plan (“LTFSP”) as its Preferred Portfolio and update the LTFSP annually. PacifiCorp’s Opening Brief acknowledges Oregon’s emission reduction policies,² but does not engage with other Oregon requirements, including Senate Bill (“SB”) 1547, directing the elimination of coal from retail rates by 2030,³ or the 2020 Multistate Protocol’s exit orders, which anticipated that Jim Bridger would be removed from Oregon rates by 2025.⁴ To date, exit orders have not been adopted for Jim Bridger units 3 or 4 and units 1 and 2 are anticipated to stay in Oregon rates as gas resources, even though these units will continue to emit greenhouse gases.

¹ To avoid confusion, Sierra Club has chosen to not pursue its objections to the newly signed Gentry coal supply agreement for the Hunter plant. This does not indicate that Sierra Club believes that the Gentry contract was prudent, but merely that Sierra Club has chosen to focus its limited resources on PacifiCorp’s decision-making regarding Jim Bridger.

² See, e.g., PacifiCorp Opening Br. at 7.

³ O.R.S. 757.518(2).

⁴ Order No. 20-024 at App’x B, p. 16.

The Commission must ensure that PacifiCorp’s system reliably transitions to clean energy resources *and* it must do so as quickly as possible in order to meet both SB 1547 and House Bill (“HB”) 2021 requirements. This requires taking all actions available to continually reduce reliance on fossil fuels, particularly high cost coal.

At this juncture, Scenario 4 in the LTFSP best accomplishes the Commission’s legislative mandates, and requiring annual updates to the LTFSP ensures that both the Company and the Commission are able to regularly review whether actions can be taken even more quickly.

II. PacifiCorp Can Exercise Greater Flexibility at the Bridger Mine Than It Claims.

As PacifiCorp’s Opening Brief concedes, ownership and operation of the Bridger Coal Company (“BCC”) mine provides the Company with “operational flexibility to prudently *increase or decrease* production as needed within reasonable operating limits.”⁵ Yet, PacifiCorp attempts to undermine this very simple concept by simultaneously arguing that the flexibility only extends to decreasing production.⁶ In fact, the Company implies that under Scenario 4, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].⁸ Even

assuming that under Scenario 4 [REDACTED]

[REDACTED]

[REDACTED]

⁵ PacifiCorp Opening Br. at 31 (citing PAC/500 at Owen/36) (emphasis added).

⁶ *Id.* at 33.

⁷ *Id.*

⁸ Highly Conf. Tr. at 56:19-57:15.

[REDACTED]

[REDACTED]

Moreover, as Sierra Club noted in Opening Testimony, the increased production under Scenario 5 is directly linked to off-system sales,⁹ meaning that the increased production is not needed to serve PacifiCorp's load. Not only are off-system sales unguaranteed but also, when the sales are made due to increased coal unit operations, they undermine Oregon's climate objectives.

III. PacifiCorp Provides No Compelling Justification for Refusing to Update its LTFSP Annually.

PacifiCorp continues to object to updating its LTFSP on a yearly basis because this would supposedly cause a "disconnect" between the LTFSP and the Company's Integrated Resource Plan ("IRP").¹⁰ Sierra Club has not recommended ignoring the Company's IRP when updating the LTFSP and, in fact, agrees that these documents should be developed together. If PacifiCorp updated its LTFSP on an annual basis, that update could be fed into the Company's IRP Update as well as providing a baseline for the next IRP. The IRP's preferred portfolio would then inform the next update to the LTFSP. These are ongoing planning exercises that are critical in an era of rapid transition from fossil fuels to clean energy, and there is no reason to lose an entire year of analysis when fundamental inputs, such as the costs of reclamation,¹¹ are changing.

PacifiCorp complains that requiring this level of analysis would be "impractical" because the LTFSP "requires large-scale planning."¹² But PacifiCorp has completed year-over-year

⁹ Sierra Club Opening Br. at 9.

¹⁰ PacifiCorp Opening Br. at 34.

¹¹ See Sierra Club Opening Br. at 11-12.

¹² PacifiCorp Opening Br. at 33.

LTFSPs in the past,¹³ and given the Company's decision to avoid a new coal supply agreement with the Black Butte mine, the LTFSP will have one less variable to evaluate.

More importantly, annual analyses are needed because factual assumptions underpinning the LTFSP are quickly changing. These changes include increased federal regulations, including the U.S. Environmental Protection Agency's Good Neighbor Plan requiring NOx emission reductions potentially impacting PacifiCorp's coal fleet¹⁴ as well as financing opportunities under the Inflation Reduction Act like the Energy Infrastructure Reinvestment ("EIR") program discussed in Sierra Club's Opening Brief.¹⁵ If fueling changes are necessary, including reduced production, delaying an update to the LTFSP would mean that fueling modifications would not realistically be implemented until 2026. At that point, it may be too late to secure financing under the EIR that would help facilitate transition of Jim Bridger to clean energy resources. And while 2026 is before Oregon's deadline to remove coal from rates or reduce emissions in line with HB 2021 targets, the Company should be evaluating all cost-effective opportunities to meet these requirements early.

In sum, an annual update to the LTFSP is the most prudent course of action to ensure that the Company is thoroughly evaluating whether Jim Bridger operations provide value to ratepayers and whether the Company can transition away from the plant more quickly.

IV. Conclusion

For the reasons set forth above, Sierra Club recommends that the Commission take the following actions:

¹³ Sierra Club Opening Br. at 2, n. 5.

¹⁴ See PAC/800 at Mitchell/2:15-18 ("The Ozone Transport Rule (OTR) will be removed from the NPC forecast in the November indicative and final filings due to a recent litigation outcome but, the possibility of the rule applying still exists and the Company would reserve the right to file a deferral in that event."). PacifiCorp refers to the Good Neighbor Plan as the "Ozone Transport Rule."

¹⁵ Sierra Club Opening Br. at 11-12.

1. Direct PacifiCorp to adopt Scenario 4 as its Preferred Portfolio in the 2023 Jim Bridger Long Term Fuel Supply Plan;
2. Direct PacifiCorp to update its Jim Bridger Long Term Fuel Supply Plan annually.

Respectfully submitted,

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