



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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In the Matter of the Application of PACIFICORP  
(U-901-E), an Oregon Company, for an Order  
Authorizing a General Rate Increase Effective  
January 1, 2019.

Application 18-04-002  
(Filed April 12, 2018)

**PROTEST OF SIERRA CLUB**

Katherine Ramsey, Staff Attorney  
Travis Ritchie, Staff Attorney

**Sierra Club**  
2101 Webster Street, Suite 1300  
Oakland, California 94612  
Telephone:(415) 977-5627  
Email: [katherine.ramsey@sierraclub.org](mailto:katherine.ramsey@sierraclub.org)

Dated May 15, 2018

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On April 12, 2018, PacifiCorp d/b/a Pacific Power (PacifiCorp) filed Application (A.) 18-04-002, its Test Year 2019 General Rate Case (GRC), seeking to increase its electric revenue requirement by 0.9% and citing increased operating expenses and company investments in generation, transmission, and distribution assets. Pursuant to Rule 2.6 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, Sierra Club submits this protest to the PacifiCorp application. Rule 2.6 requires that protests be filed within 30 days of the date that the notice of the filing of the application first appeared in the Commission's Daily Calendar. Notice of this application first appeared on April 16, 2018. Sierra Club's protest is therefore timely filed.

**I. Grounds for Protest & Reasons the Application is Not Justified**

Sierra Club protests PacifiCorp's application because PacifiCorp seeks recovery for massive expenditures it made at its coal-fired power plants dating back to 2011. These expenditures were neither prudent nor made in the best interests of ratepayers. Continued expenditures at its coal plants are inconsistent with California's values and laws, and these expenditures merit comprehensive review in this rate case.

California Senate Bill (SB) 1368 (Stats. 2006) prohibits load-serving entities from making long-term financial commitments in any power generation with an emissions rate higher

than a combined-cycle gas plant, known as the Emission Performance Standard (EPS). However, SB 1368 exempts electric corporations with fewer than 75,000 customers as long as a majority of their service territory is outside California.<sup>1</sup> Due to this exception, PacifiCorp's California customers are the only customers in the state required to pay for millions of dollars in capital expenditures on coal-fired generation. However, these expenditures are still subject to a prudence determination.

California Public Utilities Code section § 451 requires that the Commission determine whether a utility's proposed rates, services, and charges are just and reasonable. As explained in D.01-10-031, the Commission has "a regulatory responsibility to ensure [each utility] provides adequate service at just and reasonable rates, and [the Commission] must view the facts accordingly."<sup>2</sup>

Sierra Club plans to produce testimony showing that a number of PacifiCorp capital expenditures failed to meet the "just and reasonable" standard. In fact, Sierra Club has shown in rate cases in other states that PacifiCorp's spending was imprudent. For example, in 2012, the Oregon Public Utilities Commission reviewed some of PacifiCorp's spending on its coal fleet and disallowed \$17 million based on its findings that PacifiCorp "failed to reasonably examine alternative courses of action and perform adequate analysis to support its investments."<sup>3</sup> Notably, three of the projects criticized by Oregon—retrofits at Dave Johnston 4, Naughton 1, and Hunter 1—were included in California Advice Letter Nos. 476-E and 507-E, and those costs went into rates without the Commission evaluating them as part of a rate case. California informally approved those expenses without ever holding a hearing or taking evidence showing whether the capital expenditures were in the best interests of ratepayers. Those capital expenses on coal plants, by themselves, will now cost California customers **\$781,000 each year** for the life of those coal plants, and those costs are just a fraction of the total costs paid by Californians to support PacifiCorp's coal fleet. In another example, the Washington Utilities and Transportation Commission (UTC) determined in 2016 that PacifiCorp had not met its burden to demonstrate

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<sup>1</sup> Pub. Util. Code § 8341(d)(9).

<sup>2</sup> D.01-10-031, *Order Granting Rehearing of and Modifying Decision 00-02-046*, p. 5.

<sup>3</sup> Order 12-493, Oregon PUC Docket UE 246 at 31. Available at <http://apps.puc.state.or.us/orders/2012ords/12-493.pdf>.

that the installation of large capital expenditures at Jim Bridger Units 3 and 4 was prudent.<sup>4</sup> The UTC found that PacifiCorp “placed ratepayers at risk of larger-than-appropriate expenses when declining its responsibility to pursue, and document its pursuit of, the least-cost option.”<sup>5</sup>

PacifiCorp’s massive capital spending on its coal-fired power plants hurts ratepayers because it resulted in early and unnecessary capital expenses that were not the least-cost alternative. The continued spending on its coal fleet also hurts the environment because it commits PacifiCorp to continued reliance on its old and dirty coal fleet in lieu of cheaper and cleaner alternatives.

Sierra Club is in the preliminary stages of its review of PacifiCorp’s application. Here is a non-exhaustive list of expenditures that Sierra Club plans to investigate:

- Retrofitting selective catalytic reduction (SCR) systems on Jim Bridger Units 3 and 4, Craig Unit 2, and Hayden Units 1 and 2;
- Additional pollution control spending, including but not limited to baghouses and flue-gas desulfurization systems;
- Any other coal-related capital expenditures, including Jim Bridger Plant expenditures;
- Long-term coal contracts; and
- Capital expenditures on the Jim Bridger Coal Company Mine.

Sierra Club also intends to review and address PacifiCorp’s proposed changes to the depreciation rates at its coal fleet.

## **II. Effect of the Application on the Protestant**

Sierra Club is a non-profit, member-based, “public benefit” California corporation with over 808,000 members nationwide and more than 175,000 members living in California. Many of Sierra Club’s California members are residential customers of PacifiCorp. Sierra Club’s mission is to promote the responsible use of the earth’s ecosystems and resources and to protect

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<sup>4</sup> Washington Utilities and Transportation Commission, Docket UE-152253, Order 12 at p.40, Sept. 1, 2016.

<sup>5</sup> *Id.*

and restore the quality of the natural and human environment. Given the imperative to leave most of the world's fossil fuels unburned to limit the most severe climate change impacts on the natural and human environment, Sierra Club works to limit greenhouse gas emissions through development of clean energy resources, and by scrutinizing new infrastructure, policies, and rate designs that encourage additional fossil fuel extraction or demand.

PacifiCorp's 2019 rate case will impact Sierra Club members as residential customers within California through increased rates. In addition, this rate case will impact the human and natural environment, as PacifiCorp's expenditures in this case reflect an ongoing commitment to a heavily polluting coal fleet.

Sierra Club intends to investigate, and potentially challenge, a number of the expenditures proposed by PacifiCorp in this rate case, particularly any spending that posed significant climate and air quality impacts. Sierra Club will scrutinize PacifiCorp investments that maintain or extend the life of its coal assets, including the SCR retrofits at various coal plants, other pollution control measures, long-term coal contracts, and any improvements to PacifiCorp's coal mining operations. Sierra Club will present facts and law to demonstrate that PacifiCorp's coal units have operated uneconomically for multiple years since the last PacifiCorp rate case and that PacifiCorp inappropriately seeks ratepayer funds to prop up these plants, even during uneconomic market conditions.

It also bears noting that Sierra Club supports PacifiCorp's proposal to accelerate depreciation of all its coal assets by 2029 or earlier. Full depreciation of these assets will remove any remaining incentive to extend the lifespan of coal assets beyond when they become uneconomic to operate. This proposal would also bring California's depreciation schedules for PacifiCorp's coal assets closer in line with the depreciation schedules developing in Oregon and Washington.

### **III. Categorization and Need for Evidentiary Hearings**

In Resolution ALJ 176-3416 (May 10, 2018), the Commission preliminarily determined that this proceeding should be categorized as "rate setting" and that evidentiary hearings will be necessary. Sierra Club agrees with this determination, particularly because this application represents PacifiCorp's first rate case since 2011. In addition, the Commission will need to

resolve multiple disputed issues of material fact, including the reasonableness of PacifiCorp's expenditures on its coal fleet. Sierra Club intends to actively participate in evidentiary hearings.

Sierra Club plans to attend the prehearing conference on this matter currently scheduled for June 5, 2018 at 10:00 am. Sierra Club will work with PacifiCorp and other parties to develop a reasonable schedule.

#### **IV. Conclusion**

Sierra Club looks forward to the opportunity to further investigate whether PacifiCorp's requested rates are just and reasonable. PacifiCorp's requested recovery in California and other states included significant over-spending in coal generation and failures to identify least-cost alternatives. Still, Sierra Club remains optimistic that PacifiCorp might set a new trajectory that begins investing more in line with the interests of California ratepayers, as well as California's environmental values.

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/s/ Katherine Ramsey  
Katherine Ramsey  
Travis Ritchie  
Sierra Club  
2101 Webster Street, Suite 1300  
Oakland, California 94612  
Telephone:(415) 977-5627  
Email: [katherine.ramsey@sierraclub.org](mailto:katherine.ramsey@sierraclub.org)  
*Attorneys for the Sierra Club*