

REDACTED

Docket No. 20000-633-ER-23

Witness: James C. Owen

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

REDACTED
Rebuttal Testimony of James C. Owen

September 2023

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and present position with PacifiCorp**
3 **d/b/a Rocky Mountain Power (“PacifiCorp” or the “Company”).**

4 A. My name is James C. Owen. My business address is 1407 West North Temple, Suite
5 210, Salt Lake City, Utah 84116. My title is Vice President of Environmental, Fuels,
6 and Mining.

7 **Q. Briefly describe your education and professional experience.**

8 A. I have a Bachelor of Science Degree in Mining Engineering, a Master of Business
9 Administration Degree, and a Juris Doctor Degree, all from the University of Utah. I
10 joined the Utah Department of Natural Resources – Division of Oil Gas and Mining in
11 November 2008, and held positions of increasing responsibility within the agency,
12 including responsibilities for environmental permitting, enforcement of environmental
13 compliance, engineering design, oversight of mine reclamation bonding,
14 environmental program management, and legislative and policy management. I joined
15 PacifiCorp as Director of Environmental in February 2018. I have assumed positions
16 of increasing responsibility since that time and currently serve as Vice President of
17 Environmental, Fuels, and Mining. My current responsibilities encompass strategic
18 planning, stakeholder engagement, regulatory support, support of major generation
19 resource additions, direct oversight of fueling strategy, management of mining
20 operations, and direct oversight of major environmental compliance projects.

21 **Q. Have you testified in previous regulatory proceedings?**

22 A. Yes. I have previously provided testimony to the public utility commissions in
23 California, Idaho, Utah, Wyoming, and Oregon.

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

3 A. I respond to the direct testimony of Mr. Colin T. Fitzhenry, filed on behalf of the
4 Wyoming Office of Consumer Advocate (“WOCA”), and Mr. Bradley G. Mullins, filed
5 on behalf of Wyoming Industrial Energy Consumers (“WIEC”).

6 **Q. Please summarize your testimony.**

7 A. I explain PacifiCorp’s overall approach to providing the coal supply for its coal-fired
8 generating plants, and I support the level of coal costs included in fuel expense in
9 PacifiCorp’s 2023 General Rate Case (“GRC”) filing. To demonstrate the
10 reasonableness of these costs, my rebuttal testimony:

- 11 • Provides a brief update of significant and recent changes in the coal market and
12 how those changes impacted the fuel costs;
- 13 • Provides an overview and analysis of new coal supply agreements (“CSAs”)
14 that PacifiCorp entered into since the 2020 General Rate Case (“2020 GRC”)
15 and explains how the coal costs and coal contract prices associated with these
16 new CSAs impact the overall net power cost (“NPC”); and
- 17 • Provides a response to WOCA and WIEC questions and concerns about the
18 current Utah coal market and explains how the Company has negotiated prudent
19 and reasonable CSAs specifically for the Hunter plant, despite the supply
20 constraints and high demand in the market.

21 **Q. What significant changes have occurred in the coal market since 2021?**

22 A. In the third quarter of 2021, there was a significant increase in coal prices throughout
23 the United States. This was caused by multiple factors, including but not limited to:

1 increased coal demand due to high domestic natural gas prices; low inventories at coal-
2 fired power plants; increased demand abroad for coal exports; international and
3 domestic supply chain constraints; labor and material shortages; and general market
4 inflation. The coal market has experienced unprecedented price increases and
5 significant fluctuation from 2021 to 2023 and is expected to face continued challenges
6 in 2024 and beyond.

7 Elevated market rates led to coal suppliers seeking opportunities to sell coal at
8 higher prices on the open market. In addition, several of the Company's coal suppliers
9 were at increased risk of becoming insolvent, which would make them unable to deliver
10 coal. This is particularly true in cases where coal supplier operating costs have
11 drastically increased (due to inflation and other economic pressures), and they are
12 subject to fixed pricing under a coal supply agreement.

13 **Q. How do increases to coal prices in the market impact PacifiCorp?**

14 A. Higher prices in the coal market result in higher costs per ton for coal purchased by
15 PacifiCorp when negotiating new or amended CSAs. Fixed pricing and reasonable term
16 provisions in PacifiCorp's CSAs have insulated the Company from significant
17 exposure to market fluctuations. However, market exposure returns when the Company
18 is negotiating new or amended contracts, or in cases where a coal supplier does not
19 meet its coal delivery obligations and the Company is forced to seek sources for
20 replacement coal supply in the market.

21 **Q. Are there additional factors that impacted coal markets and coal availability for
22 PacifiCorp in 2022 and 2023?**

23 A. Yes. The Utah coal market was significantly disrupted and depleted due to a mine fire

1 that ignited at American Consolidated Natural Resources' ("ACNR") Lila Canyon
2 mine in September 2022. As a result of the fire, the Lila Canyon mine ceased operations
3 and, as of the date of this filing, has not resumed coal production. PacifiCorp was
4 informed in February 2023 that the extent of the damage from the mine fire is
5 significant. The Lila Canyon mine accounted for more than 25 percent of Utah's total
6 coal production in recent years and was expected to supply [REDACTED]
7 [REDACTED]. In 2022, Utah coal mines
8 produced 10.7 million tons while PacifiCorp's Utah plants consumed 5.8 million tons.
9 PacifiCorp's Utah plants have generally consumed more than 50 percent of the coal
10 produced in the state. The significant coal production shortfall due to the Lila Canyon
11 mine fire negatively affected all large coal consumers including PacifiCorp.

12 Unfortunately, this negative impact is expected to continue into 2024 and the
13 foreseeable future. In addition to the mine fire, coal suppliers have experienced issues
14 relating to unfavorable geologic and mining conditions, delays and pressure relating to
15 securing federal mining leases, limited availability of trucking and railway
16 transportation for coal, long lead-times for procurement of necessary mining
17 equipment, and limitations in availability of financing. Taken together, PacifiCorp and
18 other similarly situated large coal consumers have experienced some of the greatest
19 scarcity of, and competition for, existing coal reserves in our service territory in recent
20 years.

21 **Q. Have the coal market issues you described resulted in force majeure claims by coal**
22 **suppliers and declines in coal deliveries?**

23 A. Yes. Three of PacifiCorp's largest coal suppliers in Utah made force majeure claims in

1 2022 and 2023 that resulted in significant delivery shortfalls of PacifiCorp’s contracted
2 coal supply. These coal supply shortfalls have raised reliability concerns and have
3 forced PacifiCorp to utilize other system resources and market purchases to ensure
4 ongoing system reliability. The impact of reduced available coal supplies and higher
5 coal pricing discussed above informed both coal volumes and pricing assumptions in
6 this GRC.

7 **Q. Has PacifiCorp attempted to procure alternative coal supply to offset the impacts
8 of the supply shortfalls in Utah?**

9 A. Yes. PacifiCorp initiated a Request for Proposals (“RFP”) in August 2022 to identify
10 all potential alternative coal supply sources. The RFP process resulted in two coal
11 suppliers being selected. Two new contracts have been executed in 2023. PacifiCorp
12 has also continued working with coal suppliers that have made force majeure claims
13 and has pursued strategies to continue coal deliveries from those suppliers and
14 minimize the impacts of supply shortfall.

15 **Q. How are PacifiCorp’s coal facilities impacted by the coal supply constraints in
16 Utah, and how has that been reflected for coal volumes in this filing?**

17 A. PacifiCorp has experienced depleted stockpiled inventories and continues to anticipate
18 coal supply shortages and market instability for the remainder of 2023 and beyond. In
19 order to better manage these supply shortfalls, the Company has adjusted its forecasts
20 for tons of coal received and consumed rather than relying on its stockpiled inventory.
21 Additionally, the forecasted volumes of consumed coal in 2024 do not match the
22 contracted volumes for coal in the CSAs for 2024. Both the Hunter and Huntington
23 plants have experienced coal supply constraints in late 2022 and 2023 due to lower than

1 forecasted coal deliveries at both the plants. Specifically, the Company has forecast the
2 Hunter/Bronco CSA third amendment at [REDACTED] in 2024 due to
3 the shortfall in coal delivered to date under the third amendment, as discussed further
4 below in my testimony. Furthermore, the Company has forecast coal delivered under
5 the Huntington/Wolverine CSA for 2024 at [REDACTED]
6 [REDACTED]
7 [REDACTED].

8 **III. UPDATE TO COAL COSTS**

9 **Q. WIEC claims that PacifiCorp failed to explain the reasonableness of the revised**
10 **coal costs between its direct testimony (“Initial Filing”) and its supplemental**
11 **direct testimony (“NPC Update”).¹ Please explain the reasons for the revised coal**
12 **costs.**

13 A. Confidential Table 1 compares the delivered price per ton in the 2023 GRC Initial
14 Filing to the 2023 GRC NPC Update for each coal supplier with a brief explanation for
15 each variance. Confidential Table 2 compares the delivered price per ton in the 2020
16 GRC filing to the 2023 GRC NPC Update for each coal supplier. As discussed above
17 in detail, PacifiCorp continues to experience coal supply shortages in the current coal
18 market particularly at its Hunter and Huntington plants. The Company has taken
19 reasonable and prudent steps and conducted detailed internal analyses before executing
20 its new CSAs.

¹ Direct Testimony of Bradley G. Mullins at 24 (WIEC Exhibit No. 202).

1

Confidential Table 1

Delivered Price per Ton of Coal						
Plant	Supplier	2023 GRC NPC Update	2023 GRC Initial Filing	Variance \$	Variance %	Variance Explanation
Colstrip	Westmoreland/Rosebud	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Craig	Trapper Mining Inc	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dave Johnston	Peabody/NARM	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dave Johnston	Peabody/Caballo	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dave Johnston	Unspecified PRB Mines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dave Johnston	Eagle Butte	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hayden	Peabody/Twentymile	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hunter	Wolverine/Sufco, Skyline	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hunter	Bronco/Emery	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hunter	Gentry Mountain	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huntington	Wolverine/Sufco, Skyline	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jim Bridger	Bridger Coal Company	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jim Bridger	Unspecified PRB Mines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jim Bridger	Black Butte	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Naughton	Kemmerer Operations	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wyodak	Black Hills/Wyodak	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1

Confidential Table 2

Delivered Price per Ton of Coal						
Plant	Supplier/Mine	2023 GRC NPC Update	2020 GRC	Variance \$	Variance %	Variance Explanation
Colstrip	Westmoreland/Rosebud					
Craig	Trapper Mining Inc					
Dave Johnston	Peabody/NARM					
Dave Johnston	Peabody/Caballo					
Dave Johnston	Unspecified PRB Mines					
Dave Johnston	Bluegrass/Eagle Butte					
Dave Johnston	Arch/Coal Creek					
Hayden	Peabody/Twenty mile					
Hunter	Wolverine/Sufco, Skyline					
Hunter	Bronco/Emery					
Hunter	Gentry Mountain					
Huntington	Wolverine/Sufco, Skyline					
Jim Bridger	Bridger Coal Company					
Jim Bridger	Unspecified PRB Mines					
Jim Bridger	Black Butte					
Naughton	Kenmerer Operations					
Wyodak	Black Hills/Wyodak					

2 Confidential Table 3 shows the variances between the coal consumed in the 2023 GRC
 3 Initial Filing, 2023 GRC NPC Update and the 2020 GRC.

1

Confidential Table 3

Consumed Volume (tons, millions)					
Plant	2023 GRC NPC Update	2023 GRC Initial Filing	2020 GRC	Variance 2023 NPC Update vs 2023 Initial Filing	Variance 2023 NPC Update vs 2020 GRC
Colstrip					
Craig					
Dave Johnston					
Hayden					
Hunter					
Huntington					
Jim Bridger					
Naughton					
Wyodak					
Total	11.8	12.2	15.9	(0.3)	(4.0)

2

Confidential Table 4 compares the coal fuel costs between the 2023 GRC Initial Filing,

3

2023 GRC NPC Update and the 2020 GRC.

4

Confidential Table 4

Fuel Cost (\$, millions)					
Plant	2023 GRC NPC Update	2023 GRC Initial Filing	2020 GRC	Variance 2023 NPC Update vs 2023 Initial Filing	Variance 2023 NPC Update vs 2020 GRC
Colstrip					
Craig					
Dave Johnston					
Hayden					
Hunter					
Huntington					
Jim Bridger					
Naughton					
Wyodak					
Total	535.1	628.4	586.8	(93.3)	(51.7)

5

Total fuel costs have decreased by \$93.3 million in this rebuttal filing, driven primarily

6

by 1) a higher percentage of Jim Bridger plant coal supply being incremental coal from

7

Bridger Coal Company and coal sourced from the Powder River Basin, and 2) lower

1 projected volumes of coal deliveries at the Hunter and Huntington plants. Table 5
2 summarizes the CSAs in effect for 2024 as of the filing of rebuttal testimony:

3 **Table 5**

Third-Party CSAs In Effect for 2023 WY GRC		
Plant	Supplier/Mine	CSA End Date
Colstrip	Westmoreland/Rosebud	12/31/2024
Craig	Trapper Mining/Trapper	12/31/2025
Dave Johnston	Bluegrass/Eagle Butte	12/31/2024
Dave Johnston	Peabody/NARM	12/31/2024
Dave Johnston	Peabody/Caballo	12/31/2024
Huntington	Wolverine/Sufco, Skyline	12/31/2029
Hunter	Wolverine/Sufco, Skyline	12/31/2025
Hunter	Bronco/Emery	12/31/2025
Hunter	Gentry/Bear Canyon #3	12/31/2025
Hayden	Peabody/Twenty mile	12/31/2027
Naughton	Kemmerer Operations/Kemmerer	12/31/2025
Wyodak	Wyodak Resources Development	12/31/2026

4 **Q. WIEC also asserts that PacifiCorp did not submit any coal supply cost**
5 **workpapers with its NPC filing. Did PacifiCorp submit coal supply workpapers**
6 **in the NPC Update?**

7 A. Yes. In his testimony WIEC witness Bradley G. Mullins states that PacifiCorp complied
8 with the Stipulation in Docket No. 20000-352-ER-09 in its initial filing but failed to
9 submit certain workpapers in its NPC Update.² Company witness, Mr. Ramon J.
10 Mitchell, provided a detailed analysis of the cost variance and modeling of new CSAs
11 in his testimony. Mr. Mitchell also provided details of all coal prices and volumes for
12 each coal plant. The only workpapers the Company did not provide were the detailed
13 calculations of coal costs by individual coal supplier. The Company provided these

² Direct Testimony of Bradley G. Mullins at 24 (WIEC Exhibit No. 202).

1 additional workpapers supporting individual CSAs on September 19, 2023 and my
2 rebuttal testimony includes a summary of new CSAs that support the 2024 coal costs.

3 **IV. THIRD PARTY COAL SUPPLY AGREEMENTS**

4 **Q. Has PacifiCorp executed any new CSAs since the 2020 GRC?**

5 A. Yes. PacifiCorp has entered into several new CSAs and amendments of previously
6 executed CSAs since the 2020 GRC. These CSAs are discussed in further detail below.

7 **Q. Do these CSAs have minimum-take provisions?**

8 A. Generally, yes. Each CSA, except for the Wyodak CSA, has a minimum-take or similar
9 contracting provision. The Company believes these conditions are necessary terms
10 given the reality that coal mining is a capital and time-intensive industry. Without a
11 commitment by the customer to purchase a minimum amount of coal, the coal supplier
12 does not have an assured market for the output of the mine; the contract is merely an
13 option for the customer to purchase coal if desired while paying no cost for this option.
14 No coal producer could afford to agree to such a contract as it would require a large
15 investment of capital in reserves, development, and equipment to be available to supply
16 coal with no assurance that any coal would be purchased. Further, coal suppliers (and
17 similarly coal transporters) require a commitment to purchase at a regular rate
18 (commonly known as “ratable take”) to employ and maintain a workforce able to meet
19 the customer’s requirements.

20 As a result, while some contracts may provide some flexibility for the customer
21 to vary purchase requirements, every CSA except for the Wyodak CSA includes a
22 minimum volume commitment or similar requirement to purchase coal.

1 **Q. Does the Company's coal contracting processes use competitive RFP processes?**

2 A. Generally, yes. In several instances, the Company issued an RFP to receive bids from
3 coal suppliers to ensure a reasonably competitive bidding process. This includes the
4 Hunter/Gentry CSA, Hunter/Wolverine CSA and the two Dave Johnston CSAs. In each
5 RFP, the Company was able to select the offer or offers that provided the greatest
6 benefit to customers. The Company then negotiated final CSAs with each successful
7 respondent in these RFPs.

8 The Company did not issue an RFP for coal supply in three instances. First, the
9 Wyodak mine and Kemmerer mine are captive operations, where coal is mined and
10 shipped by conveyor belt directly to the Wyodak plant or the Naughton plant,
11 respectively. Because this type of operation provides cost efficiencies (and in the case
12 of Wyodak, there is no coal stockpile or rail infrastructure that can deliver coal directly
13 to the plant), it was neither reasonable nor cost-effective to issue an RFP for these
14 facilities. Second, the Company entered into two amendments of the existing
15 Hunter/Bronco CSA to avoid potential disruptions to operations of the Hunter plant
16 that could have otherwise resulted from lack of coal supply caused by the coal supplier.
17 In both circumstances, an RFP was not reasonable because it could not be accomplished
18 in a timely manner to avoid material impacts to the Company's operations.

19 **Q. Has the Company provided any analysis that indicates whether each CSA was**
20 **supported by least-cost, least-risk principles?**

21 A. Yes. Prior to entering into each CSA, the Company conducted a detailed internal
22 economic analysis to determine whether each CSA was a reasonable and prudent
23 business decision and in the best interest of its customers. Generally, these economic

1 analyses include background on each plant, key contracting provisions, discussion of
2 modeling inputs and assumptions, and analyses of various scenarios ran under current
3 and forecasted conditions. These analyses are consistent with the Company’s integrated
4 resource procurement planning processes and rely on sophisticated software to estimate
5 the expected cost or benefit of each new CSA compared to relevant alternatives. Each
6 of these CSAs are discussed below.

7 **V. COAL SUPPLY AGREEMENTS**

8 **A. NAUGHTON COAL SUPPLY AGREEMENT**

9 **Q. Please provide some background on the Naughton plant and the**
10 **Naughton/Kemmerer CSA.**

11 A. The Naughton plant is located in Kemmerer, Wyoming, and is wholly-owned by
12 PacifiCorp. Naughton is supplied by the adjacent Kemmerer mine with Units 1 and 2,
13 rated at 156 and 201 megawatts (“MW”), operated on coal and Unit 3 operates on
14 natural gas. PacifiCorp’s 2023 Integrated Resource Plan (“IRP”) identifies that
15 Naughton Units 1 and 2 will cease burning coal on December 31, 2025 and convert to
16 gas in 2026.

17 **Q. What is the term of the Naughton/Kemmerer CSA?**

18 A. PacifiCorp’s prior agreement for Naughton’s coal supply ended on December 31, 2021.
19 PacifiCorp executed the Naughton/Kemmerer CSA with the Kemmerer Mine, for the
20 purchase of Naughton’s coal supply from January 1, 2022, through December 31, 2025.
21 This term is consistent with PacifiCorp’s recent practice of executing CSAs with a
22 reasonable term in order to maintain flexibility in its fuel supply options and generation
23 planning strategies.

1 **Q. What are the Naughton/Kemmerer CSA annual volume and pricing terms?**

2 A. The confidential table below contains the annual volume and pricing for the
3 Naughton/Kemmerer CSA:

Term	January 1, 2022 through December 31, 2025					
Year	Annual Minimum		Annual Maximum		Price/Ton	
2022						
2023						
2024						
2025						

4 **Q. Does the Naughton/Kemmerer CSA include a minimum take requirement?**

5 A. Yes. Similar to the previous CSA, the Naughton/Kemmerer CSA is a minimum-take
6 requirements agreement. PacifiCorp would not have been able to secure the necessary
7 coal supply at a favorable contract price without agreeing to a minimum take
8 obligation. However, PacifiCorp was able to establish significantly lower contract
9 minimums for the Naughton/Kemmerer CSA, [REDACTED]
10 [REDACTED].

11 **B. WYODAK COAL SUPPLY AGREEMENT**

12 **Q. Please provide some background on the Wyodak plant and the Wyodak CSA.**

13 A. The Wyodak plant is located in Campbell County, Wyoming, and is jointly owned with
14 Black Hills Energy (“Black Hills”), which has a 20 percent ownership interest in the
15 plant. PacifiCorp operates the one coal unit at the Wyodak plant and owns 266 MW of
16 the total capacity of 332 MW. The Wyodak plant is a mine-mouth operation and
17 receives its coal from the adjacent Wyodak mine by conveyor. This eliminates the need
18 to store coal inventory at the plant. Wyodak Resources Development Corp. (a
19 subsidiary of Black Hills) owns and operates the mine. PacifiCorp’s prior agreement

1 for the Wyodak plant’s coal supply was from January 1, 2001, to December 31, 2022.
 2 PacifiCorp executed the Wyodak CSA with the Wyodak Mine to supply coal to the
 3 plant through 2026.

4 **Q. What are the key terms of the Wyodak CSA?**

5 A. The duration of the Wyodak CSA is January 1, 2023, through December 31, 2026. This
 6 term is consistent with PacifiCorp’s recent practice of limiting CSAs to a reasonable
 7 term in order to maintain flexibility in its fuel supply options and generation planning
 8 strategies. The coal price of [REDACTED], effective as of January 1, 2023 is subject
 9 to adjustment each calendar month, based on specified indices for labor, materials and
 10 supplies, inflation, etc. The contract is a “requirements” contract with the Wyodak mine
 11 as the sole supplier of coal to the Wyodak plant. The confidential table below contains
 12 the key terms of the Wyodak CSA:

Term	January 1, 2023, through December 31, 2026 (4 years)
Price	[REDACTED]
Volume	No minimum or maximum volume obligations
Minimum Take	No minimum. Requirements contract with Wyodak Mine as the sole supplier of coal to the Wyodak plant. The coal volume will vary based on future power market conditions.

13 **C. DAVE JOHNSTON COAL SUPPLY AGREEMENTS**

14 **Q. Please provide some background on the Dave Johnston plant.**

15 A. The Dave Johnston plant is located in Glenrock, Wyoming, approximately 20 miles
 16 east of Casper, Wyoming. The plant receives coal from multiple Powder River Basin
 17 (“PRB”) mines, and the coal is delivered by Burlington Northern Santa Fe (“BNSF”)
 18 Railway. PacifiCorp owns 100 percent of the plant and operates all four units. The

1 output capacity at the plant is as follows: Unit 1 – 106 MW; Unit 2 – 106 MW;
 2 Unit 3 – 220 MW; and Unit 4 – 330 MW.

3 **Q. Please provide a summary of the new and amended CSAs for the Dave Johnston**
 4 **Plant.**

5 A. In May 2022, PacifiCorp issued an RFP for Dave Johnston’s fuel supply for coal
 6 purchases from 2022 through 2026. PacifiCorp solicited bids and based on the
 7 responses to the RFP, PacifiCorp accepted two proposals which were the lowest priced
 8 bids on a delivered cost basis. After reviewing Dave Johnston’s generation and fueling
 9 needs, PacifiCorp negotiated a new CSA with Bluegrass Commodities and Eagle
 10 Specialty Materials (“Dave Johnston/Eagle Butte CSA”) and amended an existing CSA
 11 with Peabody Energy (“Dave Johnston/Caballo CSA”).

12 **Q. What are the key terms of the Dave Johnston/Eagle Butte CSA?**

13 A. The length of the Dave Johnston/Eagle Butte CSA is January 1, 2023, through
 14 December 31, 2024. The confidential table below shows the annual volume and pricing
 15 of the Dave Johnston/Eagle Butte CSA:

Term	January 1, 2023 through December 31, 2024 (two years)	
Year	Tons	Price/Ton
2023	██████████	██████████
2024	██████████	██████████

16 **Q. What contract terms were changed by the Dave Johnston/Caballo CSA**
 17 **amendment?**

18 A. The original Dave Johnston/Caballo CSA term was from January 1, 2021, through
 19 December 31, 2024. The first amendment extended the term for another year, through
 20 December 31, 2025. The number of tons delivered for 2024 increased from ██████████
 21 tons to ██████████ tons at a price of ██████████ per ton, and the annual tons to be delivered

1 in 2025 is [REDACTED] tons at a price of [REDACTED] per ton. The Dave Johnston/Caballo
 2 CSA was amended pursuant to the RFP process. The confidential table below shows
 3 the annual volume and pricing of the Dave Johnston/Caballo CSA amendment:

Term	The amendment extends the current agreement from December 31, 2024 to December 31, 2025 (one year)	
Year	Additional Tons	Price/Ton
2024	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]

4 **D. HUNTER COAL SUPPLY AGREEMENTS**

5 **Q. Please provide some background on the Hunter plant.**

6 A. The Hunter plant is located approximately 2.5 miles south of Castle Dale, Utah, in
 7 Emery County. The plant is supplied with coal from Wolverine Fuel Sales, LLC
 8 (“Wolverine”), Bronco Utah Operations, LLC (“Bronco”) and Gentry Mountain
 9 Mining, LLC (“Gentry”). The coal is delivered to the plant by trucks. It has operated
 10 three coal units since opening in 1978. The combined rated capacity for the three units
 11 is 1,363 MW. PacifiCorp owns 93.75 percent of Unit 1, 60.31 percent of Unit 2, and
 12 100 percent of Unit 3, for a combined 84.968 percent or 1,158 MW. Deseret Generation
 13 & Transmission, Utah Associated Municipal Power Systems (“UAMPS”) and Utah
 14 Municipal Power Agency (“UMPA”) are the Hunter plant co-owners. Historically,
 15 PacifiCorp has purchased 100 percent of Hunter’s coal requirements from local mines.
 16 The co-owners then purchase their coal requirements from PacifiCorp based on their
 17 actual coal consumption. PacifiCorp’s 2023 IRP calls for Hunter Unit 1 to cease
 18 burning coal on December 31, 2031, and for Hunter Units 2 and 3 to cease burning coal
 19 on December 31, 2032.

1 **Q. Please provide some background on the Hunter 2022 RFP.**

2 A. Throughout 2022, PacifiCorp did not receive the full expected coal supply under its
3 existing CSAs for the Hunter plant due to force majeure claims, transportation issues,
4 mine geologic difficulties and other challenges in the Utah coal market. Therefore, to
5 acquire additional coal, PacifiCorp issued an RFP in 2022 for Hunter’s future coal
6 supply on August 31, 2022. The 2022 RFP was provided to the logical mine suppliers,
7 a total of seven entities. After analyzing the proposals received, PacifiCorp accepted
8 two proposals and negotiated agreements with Gentry and Wolverine.

9 **Q. In their direct testimony, do any parties raise concerns or adjustments related to**
10 **new and amended CSAs for the Hunter plant?**

11 A. Yes. WOCA witness Colin T. Fitzhenry raises some questions and concerns about the
12 new and amended Hunter CSAs which he asks the Company to address in rebuttal
13 testimony. WOCA challenges the cost and modeling of the new and amended Hunter
14 and Jim Bridger CSAs and recommends a ten percent reduction of coal contract prices
15 from NPC claiming that elimination of such costs “resulted in a \$36 million reduction
16 in NPC”.³

17 **Q. WOCA recommends a ten percent reduction in the coal contract prices for the**
18 **Jim Bridger and Hunter plants until the Company provides further information**
19 **regarding its coal contract pricing. Please respond to WOCA’s recommendation.**

20 A. WOCA’s recommended \$36 million disallowance is not reasonable as PacifiCorp has
21 now provided comprehensive and detailed discussion and analysis concerning each
22 new CSA in effect during the 2024 test period. My testimony discusses the multiple

³ Direct Testimony of Colin T. Fitzhenry at 18 (WOCA Exhibit No. 603).

1 reasons for increased coal prices in the Utah market as well. Please also refer to
 2 Confidential Table 1 and 2 for a detailed price comparison between the 2020 GRC and
 3 the current test period.

4 **Q. Please provide a brief summary of the new CSAs executed for the Hunter Plant.**

5 A. The Company entered into two new CSAs and two CSA amendments to supply coal to
 6 the Hunter plant between 2023 to 2025: the Hunter/Gentry CSA; the Hunter/Bronco
 7 second and third CSA amendments; and the Hunter/Wolverine CSA. The details of each
 8 CSA has been provided below.

9 **Q. What are the key terms of the Hunter/Gentry CSA?**

10 A. On January 20, 2023, PacifiCorp executed a new Hunter/Gentry CSA, with Gentry
 11 Mountain Mining, LLC, to purchase [REDACTED] per annum for the years 2023, 2024
 12 and 2025 from their Bear Canyon #3 mine. This CSA was later amended on February
 13 1, 2023, after performing an RFP process to identify the best available risk-adjusted
 14 price for additional coal for the Hunter plant. The amended CSA increased the coal
 15 volume by [REDACTED] at a price of [REDACTED] per ton for the year 2023, [REDACTED] per ton
 16 for the year 2024 and [REDACTED] for the year 2025. Therefore, after the amendment the
 17 coal contract volume for the year 2023 is [REDACTED]. The following confidential table
 18 summarizes the annual volume and pricing for the Hunter/Gentry CSA:

Term	January 1, 2023 through December 31, 2025 (3 years)		
Pricing	The CSA has fixed pricing except for a monthly adjustment for the assumed cost of coal transportation		
	Total Tons	Total Tons	Estimated
Year	(original CSA)	(after amendment)	Price/Ton
2023	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]

*The total tons are 100% Hunter plant.

1 **Q. Please explain the issues faced by PacifiCorp by the force majeure claims from**
2 **Utah coal suppliers and what steps has PacifiCorp taken in response to manage**
3 **cost and risk for its customers.**

4 A. The Company has received force majeure claims from three major Utah coal suppliers
5 in 2022 and 2023, Bronco, Wolverine, and Gentry.

6 The Company received a force majeure claim from Bronco on June 22, 2022, for
7 its CSA at Hunter [REDACTED]

8 [REDACTED] Pursuant to the terms of the contract,
9 the Company challenged Bronco’s force majeure claim as invalid, and notified Bronco
10 that it was in breach of its contract obligations, which initiated arbitration processes.

11 During this time the Company continued to negotiate changes to the Bronco CSA while
12 maintaining coal supply and supplier coal operations for Hunter. [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

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[REDACTED]

Wolverine asserted force majeure claims on September 22, 2022, for its CSAs at Hunter and Huntington. These claims were based on Wolverine's [REDACTED]

[REDACTED]

[REDACTED] The Company has also maintained communication directly with the Lila Canyon mine to confirm information relating to the mine fire and its impacts. The data provided in Confidential Table 6 details the impact of the force majeure claims on total 2022 coal deliveries at the Hunter and Huntington plants.

Confidential Table 6: 2022 Hunter and Huntington Plants Coal Supply

Plant	Supplier	Tons Under Contract	Tons Delivered	Variance	Explanation
Hunter	Wolverine	[REDACTED]	1,831,679	[REDACTED]	[REDACTED]
	Bronco	[REDACTED]	727,689	[REDACTED]	[REDACTED]
	Other		14,343	14,343	
		[REDACTED]	2,573,711	[REDACTED]	
Huntington	Wolverine	[REDACTED]	1,966,980	[REDACTED]	[REDACTED]
Total		[REDACTED]	4,540,691	[REDACTED]	

1 The Company has also recently received a force majeure claim from Gentry on
 2 August 24, 2023 for the CSA at Hunter. The claim is based on Gentry's [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]

8 **Q. What steps did the Company take to manage the shortfalls in coal deliveries**
 9 **caused by the force majeure claims?**

10 A. PacifiCorp evaluated the merits of the force majeure claims and considered the legal
 11 options available to it under its CSAs. In mid-2022, the Company immediately began
 12 transporting coal from the Rock Garden safety pile for consumption at the Huntington
 13 plant to compensate for reduced coal deliveries. The Company also began working with
 14 current suppliers on potential solutions and new potential Utah coal suppliers to secure
 15 additional coal, and began exploring alternative coal sources, leading to the RFP. The
 16 Company also initiated evaluations for (and continues to evaluate) potential acquisition
 17 of coal sourced from outside of Utah. In addition, PacifiCorp began reducing
 18 generation at the Hunter plant in September 2022 and at the Huntington plant in
 19 November 2022 to maintain stockpile inventory. Based upon industry standard practice
 20 regarding the dispatch of fuel-limited resources, such as hydro, PacifiCorp calculated
 21 the dispatch price for the fuel-limited Hunter and Huntington units to maintain
 22 minimum coal stockpile inventories and secure plant availability for the benefit of
 23 customers during critical periods.

1 **Q. Why did PacifiCorp execute a third amendment to the Hunter/Bronco CSA?**

2 A. Under the terms of the Hunter/Bronco CSA second amendment, PacifiCorp and Bronco

3 agreed to [REDACTED]

4 [REDACTED]

5 [REDACTED]. After PacifiCorp notified the coal supplier of its intent to

6 [REDACTED] through the end of

7 2024, the coal supplier notified the Company that due to ongoing labor, market, and

8 financial pressures, it was unable to supply the Hunter Plant at the price offered and

9 expressed its intent to cease coal deliveries to the Company. PacifiCorp again evaluated

10 the potential unfavorable cost impacts to the Company and its customers that would

11 result from the immediate loss of coal supply from the Hunter/Bronco CSA. As a result

12 of those analyses, PacifiCorp re-engaged in negotiations with the supplier and

13 ultimately agreed to a price increase under the third amendment, which ensured

14 continued coal deliveries and was determined to be beneficial for the Company and its

15 customers.

16 **Q. What are the key terms of the third amendment to the Hunter/Bronco CSA?**

17 A. The Hunter/Bronco CSA third amendment is a one-year extension of the original

18 CSA, extending the original CSA term to December 31, 2025. The terms for annual

19 volume and pricing for the Hunter/Bronco CSA third amendment are as follows:

Term	March 16, 2023 through December 31, 2025. This is a one-year extension of the original CSA			
Pricing	[REDACTED]			
Year	Total Tons		Price/Ton	
2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*The total tons are 100% Hunter plant.

1 **Q. Why did PacifiCorp execute the Hunter/Wolverine CSA?**

2 A. The Company has previously entered into CSAs with Wolverine to supply coal for the
 3 Hunter and Huntington plants. Due to Wolverine’s force majeure claims and its
 4 inability to deliver contracted coal volumes, PacifiCorp needed to procure more coal to
 5 meet the needs of the Hunter and Huntington plants. To help remedy this situation,
 6 PacifiCorp issued the Hunter 2022 RFP as described above and subsequently entered
 7 into the Hunter/Wolverine CSA on June 23, 2023. Under the Hunter/Wolverine CSA,
 8 the Company will procure [REDACTED] tons of coal per annum [REDACTED]
 9 [REDACTED]. The term of the Hunter/Wolverine CSA is two years,
 10 from January 1, 2024, through December 31, 2025. The confidential table below
 11 provides a summary of the key terms of the Hunter/Wolverine CSA:

Term	January 1, 2024 through December 31, 2025 (2 years)			
Year	Total Tons		Price/Ton	
2024	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2025	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*The total tons are 100% Hunter plant.

12 **Q. Please summarize the fuel supply for the Hunter plant for 2024-2025.**

13 A. The Company now has three CSAs in place to supply coal to the Hunter plant in 2024-
 14 2025; the Hunter/Wolverine CSA, the Hunter/Bronco CSA, and the Hunter/Gentry
 15 CSA. The total amount under contract for 2024 is [REDACTED]

1 [REDACTED]
2 [REDACTED]. These volumes are
3 less than the actual coal consumed at Hunter in 2022, which was [REDACTED] tons
4 which included a significant portion of the available stockpiled inventory.

5 VI. OZONE TRANSPORT RULE

6 **Q. Does the Company plan to remove the impacts of the Ozone Transport Rule**
7 **(“OTR”) from this rate case?**

8 A. Yes. The Company reduced OTR costs in the supplemental direct testimony of
9 Company witness Mr. Mitchell that was provided in July 2023, and now plans to
10 remove them entirely. Please refer to Mr. Mitchell’s rebuttal testimony for a more
11 detailed discussion of the NPC decrease resulting from this change.

12 **Q. Why did the Company remove OTR costs from this filing?**

13 A. The Company removed OTR costs from the 2024 test period in this general rate case
14 because: (1) the Tenth Circuit Court of Appeals granted petitioners’, including
15 PacifiCorp, motion to stay the Environmental Protection Agency’s (“EPA”) final
16 disapproval of Utah’s state implementation plan (“SIP”) on July 27, 2023; and (2) EPA
17 proposed approval of Wyoming’s OTR SIP on August 14, 2023. While timelines cannot
18 be predicted precisely, the OTR stay for the state of Utah is expected to remain in place
19 at least through the 2024 ozone season. For Wyoming, it is unlikely OTR would be
20 implemented in 2024 since EPA has proposed to approve the state’s plan.

21 **Q. Is there a possibility that the OTR could be implemented in 2024?**

22 A. Yes, while unlikely, it is possible that the timelines for implementation could be
23 accelerated.

VII. CONCLUSION

1

2 **Q. Does this conclude your rebuttal testimony?**

3 **A. Yes.**

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE)
APPLICATION OF ROCKY)
MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE ITS)
RETAIL ELECTRIC SERVICE RATES)
BY APPROXIMATELY \$140.2)
MILLION PER YEAR OR 21.6)
PERCENT AND TO REVISE THE)
ENERGY COST ADJUSTMENT)
MECHANISM)

DOCKET NO. 20000-633-ER-23
(RECORD NO. 17252)

AFFIDAVIT, OATH AND VERIFICATION

James Owen (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the VP of Environmental, Fuels & Mining for PacifiCorp, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in their official capacity as VP, Environmental, Fuels & Mining.

Further Affiant Sayeth Not.

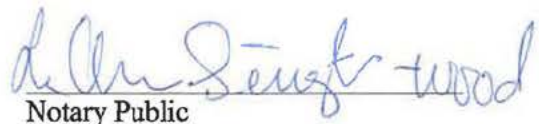
Dated this 21st day of September, 2023

James Owen
VP, Environmental, Fuels & Mining



STATE OF UTAH)
) SS:
COUNTY OF SALT LAKE)

The foregoing was acknowledged before me by James Owen on this 21st day of September, 2023. Witness my hand and official seal.


Notary Public

My Commission Expires: 02/14/2026

