

Rocky Mountain Power
Exhibit RMP__(CAT-1)
Docket No. 13-035-184
Witness: Chad A. Teply

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Chad A. Teply
History of Hunter 1 Regional Haze Compliance Obligations

January 2014

1 **History of Hunter 1 Regional Haze Compliance Obligations**

2 When discussing efforts to establish environmental compliance schedules
3 for PacifiCorp’s coal-fueled resources, including Hunter Unit 1, it is imperative to
4 understand the fact that Regional Haze compliance strategies for units across the
5 western U.S. (including Hunter and Huntington) were established via a collective
6 agency, industry and stakeholder approach beginning around the 1999 timeframe
7 (i.e. Western Regional Air Partnership), and with the Regional Haze Rules as they
8 generally exist today promulgated and adopted by the agencies in 2005.
9 Therefore, PacifiCorp’s efforts to influence appropriate compliance technologies,
10 compliance deadlines and installation schedules for its individual units affected by
11 Regional Haze Rules began years ago. As a participant in the Western Regional
12 Air Partnership (WRAP) process, the Utah Division of Air Quality established
13 requirements that pollution control equipment, including the installation of the
14 baghouse and LNBS at Hunter 1, would be installed by 2013 (i.e., the end of the
15 2008 to 2013 Regional Haze Rules BART planning period). PacifiCorp’s
16 participation in the WRAP process and Regional Haze planning activities resulted
17 in identifying appropriate emissions control technologies and establishing
18 equipment installation schedules that met the requirements of the state of Utah for
19 Hunter and Huntington and occurred during the units’ normally scheduled major
20 overhauls to minimize costs by reducing overall unit down-time and power
21 purchases necessitated by additional outages.

22 With respect to PacifiCorp’s specific efforts to negotiate deferred
23 installation of emissions control equipment on Hunter Unit 1, delays associated

24 with obtaining an approval order and finalizing the Utah Regional Haze State
25 Implementation Plan in the 2008 timeframe made it extremely difficult for
26 PacifiCorp to cost-effectively install the required equipment during the unit's
27 2010 overhaul, which would have allowed the equipment to be installed in
28 alignment with Utah Regional Haze compliance timeframe requirements prior to
29 2013. As a result of negotiations with the Utah Division of Air Quality, the
30 Company was allowed to delay the installation of the control equipment on
31 Hunter Unit 1 until the unit's 2014 overhaul. As part of the agreement to delay the
32 installation of the control equipment, PacifiCorp was required to submit semi-
33 annual reports to the state beginning in 2010 demonstrating that continual
34 progress towards completing the installation by 2014 is occurring, and that certain
35 annual emission rates are being met.

36 With the negotiated 2014 compliance deadline for the baghouse and LNB
37 projects, PacifiCorp completed detailed economic analysis of the Hunter Unit 1
38 compliance investments in 2012 prior to entering into engineering, procurement,
39 and construction contracts for the multi-year project, incorporating then-current
40 assumptions for forward gas prices, forward market prices, and proxy compliance
41 costs for emerging environmental regulations with the potential to impact the unit.
42 The results of PacifiCorp's economic analyses completed in the 2012 timeframe
43 (and included in Confidential Volume III of the Company's 2013 IRP filing)
44 support investment in the environmental compliance projects, even when
45 considering the reasonably anticipated and generally quantifiable uncertainties

46 regarding emerging environmental compliance obligations for the unit, and
47 continued operation of this low cost resource through its depreciable life.

48 As has been demonstrated by the EPA's continually delayed and deferred
49 actions regarding Regional Haze Rule action in the state of Wyoming, and with a
50 similar process playing out regarding EPA's delayed and deferred actions on Utah
51 Regional Haze Rule administration, neither Utah nor Wyoming has waited to
52 implement their Regional Haze State Implementation Plans. Instead each state has
53 delivered upon the plans they developed within the construct of the Regional
54 Haze Rules and established timely and enforceable requirements for PacifiCorp's
55 units affected by the rules. The concept of negotiating away compliance
56 obligations while waiting for certainty regarding a myriad of emerging
57 environmental policies and ever changing market conditions is not an approach
58 that the states of Utah and Wyoming have engaged in, particularly without state
59 policy drivers targeting accelerated retirement of the affected low cost resources
60 in question.