

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Voluntary Request of )  
Rocky Mountain Power for Approval of )  
Resource Decision to Construct Selective )  
Catalytic Reduction Systems on Jim Bridger )  
Units 3 and 4 )  
)

DOCKET NO. 12-035-92

REDACTED  
REPORT AND ORDER

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ISSUED: May 10, 2013

SHORT TITLE

**Rocky Mountain Power  
Resource Decision Jim Bridger Units 3 and 4.**

SYNOPSIS

The Commission approves the Company's voluntary request for approval of a resource decision to construct selective catalytic reduction systems on Jim Bridger Units 3 and 4.

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## **I. PROCEDURAL HISTORY**

Pursuant to Utah Administrative Code (“UAC”) R746-440-1(2), Rocky Mountain Power, a division of PacifiCorp (“Company”), filed, on August 10, 2012, with the Public Service Commission of Utah (“Commission”), a notice of its intent to file a voluntary request for approval of its resource decision to construct two major projects to reduce emissions. Pursuant to Utah Code Ann. (“UCA”) § 54-17-402, on August 24, 2012, the Company filed with the Commission a voluntary request for approval of its resource decision (“Application”) to construct selective catalytic reduction (“SCR”) systems on Units 3 and 4 of the Jim Bridger coal-fired steam electric plant (“Bridger” or “Bridger Plant”) located in Sweetwater County, Wyoming. The proposed SCR investments at Bridger Units 3 and 4 are referred to in this order as the “Bridger SCR Project” or “Project”.

On September 6, 2012, the Utah Division of Public Utilities (“Division”) filed comments recommending the Commission notice a scheduling conference in the matter as soon as practicable. A duly-noticed scheduling conference was held on September 19, 2012, and on September 24, 2012, the Commission issued its scheduling order and notice of hearing.<sup>1</sup>

Between September 11, 2012, and November 20, 2012, the following parties were granted intervention in this docket: Western Resource Advocates (“WRA”); Holcim, Inc.,

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<sup>1</sup> UCA § 54-17-402(6) provides the Commission 180 days to approve or disapprove a voluntary request for approval of a resource decision, starting with the day on which the request is filed. In this case, the 180 day time period expired on February 20, 2013. The statute also authorizes the Commission to extend the time for issuing a decision, if the Commission determines additional time to analyze the resource decision is warranted and is in the public interest. Based parties’ comments at the scheduling conference and the absence of any objection, the Commission determined in its September 24, 2012, scheduling order and notice of hearing it would serve the public interest to extend the statutory time period for reaching a decision in this matter by up to 30 days. Subsequently, in context of its oral ruling in the February 6, 2013, pre-hearing conference, the Commission further extended the date of its final decision in this case to mid-May 2013.

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Kennecott Utah Copper LLC, Kimberly-Clark Corp., Praxair, Inc., Proctor & Gamble, Inc., Tesoro Refining and Marketing Co., and Western Zirconium, collectively referred to as Utah Industrial Energy Users (“UIEC”); Utah Association of Energy Users (“UAE”); and Sierra Club.

On November 30, 2012, the Division, Office of Consumer Services (“Office”), and WRA filed direct testimony. On December 3, 2012, WRA filed errata to the direct testimony of Nancy L. Kelly. Also on December 3, 2012, Sierra Club filed its direct testimony.

On January 4, 2013, Sierra Club filed a motion requesting a stay or continuance of this proceeding until such time as the U.S. Environmental Protection Agency (“EPA”) issues its final Best Available Retrofit Technology (“BART”) determination for the Bridger Plant (“Sierra Club’s Motion”). Also on January 4, 2013, the Company filed a motion requesting an amended procedural schedule and referencing its preparation of a response to Sierra Club’s Motion and citing a need to prevent disadvantageous overlap in testimony filing dates between this docket and the Company’s concurrent proceeding in Wyoming in which it was seeking a certificate of public convenience and necessity for the Project (“WY CPCN”).<sup>2</sup>

On January 7, 2013, the Company filed a memorandum opposing the Sierra Club’s Motion. On January 8, 2013, the Commission issued an order amending the procedural schedule and providing notice of a scheduling conference to be held on January 16, 2013. Following the duly-noticed scheduling conference, on January 17, 2013, the Commission issued its notice of amended hearing date, setting March 7, 2013, as the tentative hearing date for this matter pending the Commission’s ruling on Sierra Club’s Motion. On January 18, 2013, UAE

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<sup>2</sup> Filed on December 21, 2012, in Wyoming Docket No. 20000-418-EA-12, Record No. 13314.

filed a memorandum stating its partial support of Sierra Club's Motion and recommending the Commission not issue a final order in this matter until after the parties had been given an opportunity to review the EPA's proposed BART determination to be issued March 29, 2013, ("EPA March Re-proposal") and to submit to the Commission any pertinent additional information or request for further proceedings. On January 29, 2013, the Commission provided notice it would conduct a pre-hearing conference to hear argument on Sierra Club's Motion.

On January 31, 2013, the Company filed its Notice of Relevant Action in a Related Proceeding asking the Commission to take notice of the January 17, 2013, decision of the Public Service Commission of Wyoming denying Sierra Club's motion for continuance or stay of its review of the Company's WY CPCN until such time as the EPA issues its final BART determination for the Bridger Plant.

On February 4, 2013, both the Division and Office filed comments in response to Sierra Club's Motion. On February 6, 2013, a duly-noticed pre-hearing conference was held during which the Commission issued an oral ruling denying Sierra Club's Motion. The Commission also maintained the procedural schedule as announced in prior orders, and approved the suggestion by parties for additional comments on the EPA March Re-proposal to be received prior to the Commission's issuance of the final order in this proceeding. The Commission stated dates for additional comments would be determined at the conclusion of the March 7 hearing. Section II of this Order contains the rationale for denying Sierra Club's motion.

Also on February 6, 2013, the Office filed errata to the direct testimony of Randall J. Falkenberg, and the Company filed a copy of the Order Denying Motion for a Stay or

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Continuance Pending Final EPA Action, issued by the Public Service Commission of Wyoming on February 4, 2013.

On February 11, 2013, the Company and the Office filed rebuttal testimony. On February 26, 2013, the Company filed errata to the rebuttal testimony of Cindy A. Crane. On February 28, 2013, the Company, Division, Office, and WRA filed surrebuttal testimony. On March 1, 2013, Sierra Club filed surrebuttal testimony. On March 6, 2013, the Company filed additional supportive exhibits as well as the replacement surrebuttal testimony of Chad A. Teply.

On March 7, 2013, the Commission held a duly-noticed hearing to examine the Company's Application. At the hearing, the Commission provided further procedural guidance to the parties regarding the filing of post-hearing briefs on the Application, and comments on the pending EPA March Re-proposal. Specifically, the Commission set March 27, 2013, as the due date for briefs on legal issues and the merits of the Application. Further, the Commission set April 5, 2013, as the due date for initial comments, and April 19, 2013, as the due date for reply comments on the pending EPA March Re-proposal. The Commission noted the extended timelines and indicated it would issue a final order in this case by mid May. The Commission also directed the Company to file any communication it receives regarding the EPA March Re-proposal as soon as possible.

On March 27, 2013, the Company filed a copy of the March 25, 2013, stipulation between the EPA and other litigants, extending the deadline for the EPA March Re-proposal from March 29, 2013, to May 23, 2013, and extending the deadline for the EPA to issue a notice of final rulemaking on the Wyoming Regional Haze State Implementation Plan ("Wyoming

SIP”) from September 27, 2013, to November 21, 2013. On March 27, 2013, the Company, Division, WRA, and Sierra Club filed post-hearing briefs on the Application. On March 28, 2013, the Company filed its replacement post-hearing brief. On April 5, 2013, the Company, Division, Office, and Sierra Club filed initial comments addressing the extension of the EPA re-proposal deadline. On April 19, 2013, the Company and the Office filed reply comments and Sierra Club filed notice it would not file a reply brief on the EPA re-proposal deadline.

## **II. SIERRA CLUB’S MOTION**

Sierra Club’s Motion requests a stay or continuance of this proceeding pending a final BART determination by the EPA, which, at the time, was not expected until September 27, 2013, and which concerns the Company’s Bridger SCR Project.<sup>3</sup>

The Company, the Division, WRA, and to some degree UAE and the Office, opposed Sierra Club’s Motion.<sup>4</sup>

### **A. Sierra Club’s Position**

Sierra Club argues a stay is necessary because it is premature to proceed with this docket since, without an EPA final BART determination, the required emission limits and relevant compliance deadlines for the project are unknown.<sup>5</sup> Sierra Club also argues a stay will provide certainty, which will benefit the Company<sup>6</sup> and notes commissions in other jurisdictions

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<sup>3</sup> See Sierra Club Motion for a Stay or Continuance Pending Final EPA Action, filed January 4, 2013.

<sup>4</sup> See Company’s Memorandum in Opposition to Sierra Club’s Motion for a Stay or Continuance Pending Final Action, filed January 7, 2013; Division’s Memorandum in Response to Sierra Club’s Motion for Stay or Continuance Pending Final Action, filed February 4, 2013; Memorandum of UAE Users in Partial Support of Motion for Continuance, filed January 18, 2013; Memorandum from the Office, to the Commission, filed February 4, 2013; and Transcript of Pre-Hearing Conference at 17, lines 8-25, and at 18, lines 1-10, dated February 6, 2013.

<sup>5</sup> See Sierra Club Motion for a Stay or Continuance Pending Final EPA Action at 3.

<sup>6</sup> See *id.* at 7

have entered stays in similar actions.<sup>7</sup> Sierra Club states the Wyoming Department of Environmental Quality (“WDEQ”) deadlines are not firm as the Company states, but acknowledges they are binding.<sup>8</sup>

**B. Company’s Position**

The Company states it entered into a settlement agreement, in November 2010, with the WDEQ in Docket No. 10-281 (the “BART Settlement Agreement”) before the Wyoming Environmental Quality Council (“EQC”) addressing Wyoming’s BART permit for the Bridger facility. To achieve the required nitrogen oxides (“NOx”) emission limits, the Company contends the BART Settlement Agreement is enforced through an order issued by the EQC, and requires the Company to install SCR systems or alternative add-on NOx control systems on Unit 3 by the end of 2015 and by the end of 2016 for Unit 4. The Company states the EQC maintains jurisdiction over the BART Settlement Agreement and that the EQC’s order is enforceable in district court under the Wyoming Administrative Procedure Act.

The Company argues its EQC imposed deadline for completing the SCR systems at the Bridger Plant is unaffected by the EPA’s delayed action.<sup>9</sup> The Company argues Sierra Club’s Motion should be denied because the WDEQ has not amended the deadlines under which the Company is obligated to install the SCR systems or otherwise meet associated unit-specific emissions limits at the Bridger Plant.<sup>10</sup> The Company further argues Sierra Club’s Motion

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<sup>7</sup> See id. at 8.

<sup>8</sup> See Transcript of Pre-Hearing Conference, February 6, 2013, at 8, lines 3-9.

<sup>9</sup> See Company’s Memorandum in Opposition to Sierra Club’s Motion for a Stay or Continuance Pending Final Action at 2.

<sup>10</sup> See id. at 6.

should be denied because the EPA ruling is not expected to materially impact the Project.<sup>11</sup> According to the Company, the EPA ruling will only address *emission limits*; it will not address the *technology standard*.<sup>12</sup> The Company adds, even if emission limits are lowered, the Company can accommodate those new limits in its ongoing contract negotiations and project design.<sup>13</sup> The Company argues a stay could have negative consequences for its customers through increased costs due to a condensed construction schedule.<sup>14</sup> Finally, at the pre-hearing conference, the Company agreed there is merit to UAE's proposal to allow parties reasonable time to file comments on the EPA March Re-proposal after the March 7 hearing and before the Commission issues its final order in this case, which the Company states it needs by mid May in order to avoid increased construction cost.<sup>15</sup>

### **C. Division's Position**

The Division recommends the Commission not wait for a final EPA ruling.<sup>16</sup> The Division further notes, “[W]DEQ requirements are known and must be implemented by specific dates. Therefore[,] waiting for a final EPA rule is likely to result in higher costs.”<sup>17</sup> At the pre-hearing conference, the Division agreed with the Company's suggestion the Commission should

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<sup>11</sup> See id. at 7.

<sup>12</sup> See id.

<sup>13</sup> Assuming the new limits are “appropriately established and reasonably achievable with SCR technology at the Jim Bridger Facility[.]” Id.

<sup>14</sup> See id. at 8.

<sup>15</sup> See Transcript of Pre-Hearing Conference, February 6, 2013, at 12, lines 18-25 and at 13, lines 1-17.

<sup>16</sup> See Division's Memorandum in Response to Sierra Club's Motion for Stay or Continuance Pending Final Action at 3.

<sup>17</sup> Id. at 4.

maintain the current schedule but provide parties an opportunity to file comments on the EPA March Re-proposal.<sup>18</sup>

**D. UAE's Position**

UAE states, in part, it lacks information to determine or challenge the accuracy of the Company's claim that it has no option but to proceed with the Bridger SCR Project this spring, and therefore, UAE does not support a long-term stay.<sup>19</sup> UAE recommends the Commission wait to issue a final order until after the EPA's proposed BART determination is issued on March 29, 2013, to allow parties an opportunity to submit supplemental information or request further Commission proceedings afterwards.<sup>20</sup>

**E. Office's Position**

The Office supports UAE's recommendation to wait to issue an order until the EPA issues its proposed ruling on March 29, 2013.<sup>21</sup> According to the Office, ". . . the Company has not yet provided adequate analysis to support its request. Unless and until the Company provides such supporting evidence, whether the EPA has issued its determination or not, the Commission will not have adequate support to determine that the request is in the public interest."<sup>22</sup>

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<sup>18</sup> See Transcript of Pre-Hearing Conference, February 6, 2013, at 15, lines 12-18.

<sup>19</sup> See Memorandum of UAE Users in Partial Support of Motion for Continuance at 1.

<sup>20</sup> Id. at 2.

<sup>21</sup> See Memorandum from the Office, to the Commission at 2.

<sup>22</sup> Id.

**F. WRA's Position**

WRA stated at hearing it does not support Sierra Club's Motion. WRA recommends proceeding with the schedule as it currently exists, including the scheduled hearings and Commission decision on the Application.<sup>23</sup> WRA argues parties can file a motion for consideration of any facts which emerge from the EPA March Re-proposal, if and when that occurs.<sup>24</sup>

**G. Discussion, Findings, and Ruling on Sierra Club's Motion**

As noted above, at the February 6, 2013, pre-hearing conference, we issued an oral ruling denying Sierra Club's Motion. We found the BART Settlement Agreement, which controls the Company's actions in Wyoming, provides specific implementation limits and dates with which the Company must comply under Wyoming law. To ignore the Wyoming deadlines while an EPA ruling is pending for an uncertain duration could, as the Company argues, result in compressed construction schedules and additional cost to the Company and its ratepayers.

We also found the cost of the Project is not expected to appreciably increase from the costs represented in the Company's Application should the EPA impose the more aggressive emission limit of 0.05 lbs/MMBtu, and that the Company is already discussing this possibility with its potential contractors.<sup>25</sup> Therefore, the EPA ruling is unlikely to increase the projected costs from those the Company presents.

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<sup>23</sup> See Transcript of Pre-Hearing Conference at 17-18, dated February 6, 2013.

<sup>24</sup> Id. at 17, lines 24-25, and at 18, lines 1-6.

<sup>25</sup> See Transcript of Pre-Hearing Conference, February 6, 2013, at 25-28.

Weighing these factors both for and against a stay, and considering ratepayer interests, the Commission denied Sierra Club's Motion and maintained the existing schedule for the continued filing of testimony and the scheduled hearing date of March 7.

However, we also found merit in UAE's proposal and concluded it reasonable to allow parties to file comments on the EPA March Re-proposal prior to our issuing the final order in this case. We concluded we could consider such comments and still issue this order before the mid-May deadline by which the Company testifies it must sign construction contracts in order to meet the Wyoming deadlines without paying higher project-related costs. Most parties supported this approach.

To accommodate the post-hearing comments, we stated in our February 6, 2013, oral ruling we would set dates for the receipt of comments on the EPA's March Re-proposal at the conclusion of the March 7, 2013, hearing. To accommodate this extended comment period we determined it to be in the public interest to further extend the date for a final decision in this case, beyond the 180-day statutory deadline, to mid-May 2013.

We noted at the time of the pre-hearing conference, there was no guarantee the EPA would complete its rulemaking process before September 27, 2013. Indeed, the deadline has now been further delayed. Additionally, the Wyoming SIP requirements have since been reaffirmed by the WDEQ.<sup>26</sup>

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<sup>26</sup> As noted in the March 7, 2013 hearing, the WDEQ has reaffirmed its January 4, 2013, decision declining to extend the BART Settlement Agreement deadlines applicable to the Bridger Plant. See Transcript of Hearing at 129, lines 10-21, dated March 7, 2013; id. at 131, lines 1-11. See also RMP Supplemental Exhibit CSW-5SR at 2, filed March 6, 2013, (stating “. . .the DEQ[] continues to stand by its January 4, 2013 decision declining to extend the Settlement Agreement deadlines applicable to Jim Bridger Units 3 and 4.”).

### **III. PARTIES' POSITIONS**

#### **A. Company**

The Company requests the Commission issue an order approving the Company's resource decision to construct the Project. The Company testifies the basis for seeking this approval is three-fold:

First, Bridger Units 3 and 4 are critical components of the Company's generation fleet that serves Utah customers. The Company argues the baseload capacity and energy produced by the units are needed to provide adequate, safe, efficient, and reliable service to Utah customers.

Second, the Company states the Project is necessary to comply with Wyoming's applicable regional haze rules and with the EPA's proposed approval of the Wyoming SIP requiring immediate actions identified as BART. Specifically, the Company argues its BART permit for Bridger constitutes a legally binding settlement agreement between the Company and the WDEQ which requires the Company to install SCR or alternative add-on NO<sub>x</sub> control systems, and meet NO<sub>x</sub> emission limits of 0.07 pounds per million British thermal units ("lb/MMBtu"), on Unit 3 by 2015 and Unit 4 by 2016. The Wyoming SIP also includes these requirements. Because of the nature of these requirements, the Company asserts non-compliance is not an option; only the means of compliance are options.

Third, the Company concludes construction of the Project, estimated to cost [REDACTED] for the Company's share, together with the continued operation of Bridger Units 3 and 4 is the least-cost, risk-adjusted compliance strategy among a number of competing

alternatives. To arrive at this conclusion, the Company first considered the cost effectiveness of alternative compliance technologies by measuring capital cost on a cost per ton of pollutant removed, as part of Wyoming's BART determination process. Second, the Company compared the difference in the present value of the revenue requirement ("PVRR") of two system optimizer ("SO") model simulations to evaluate costs with and without the Project.

In the first simulation, the SO model assumes compliance is achieved through the Bridger SCR Project and continued operation of Bridger Units 3 and 4. In the second simulation, the Bridger SCR Project is not made and the SO model selects among other options to achieve compliance. Other options include early retirement of Bridger Units 3 and 4 and replacement of this power through other means, or conversion of the units to natural gas. The Company testifies the SO model selects natural gas conversion for Bridger Units 3 and 4 in the second simulation under a range of natural gas and carbon dioxide ("CO<sub>2</sub>") price assumptions. The Company provides the difference in the PVRR of the two simulations, expressed as PVRR(d), to show how favorable or unfavorable the Bridger SCR Project is in comparison to the next best alternative which is natural gas conversion under various alternative natural gas and CO<sub>2</sub> price assumptions.

The Company's initial results favor SCR investment in the base case and under four of the six alternative natural gas and CO<sub>2</sub> price cases. The Company's base case results favor the Project by [REDACTED] PVRR(d).

In its rebuttal testimony, the Company provides updated analysis to respond, in part, to parties' criticisms its initial analysis relied on outdated or erroneous data. Specifically, the Company corrected various modeling errors and updated its natural gas price assumptions to

its more recent September 2012 Official Forward Price Curve (“OFPC”), and updated its CO<sub>2</sub> price assumptions. The updated base case also updates coal costs, load forecasts, and mine capital and reclamation costs.

The Company argues the updated results continue to support SCR investment; its updated base case analysis yields a PVRR(d) [REDACTED] favorable to the Bridger Units 3 and 4 SCR investments as compared to the natural gas conversion alternative. According to the Company, six of the nine cases modeled in its updated analysis produce a PVRR(d) favorable to SCR investment. The Company argues updated PVRR(d) results are unfavorable to SCR investment only in cases that assume low natural gas prices, and asserts levelized natural gas prices would have to decrease by 15 percent from updated base case levels to reach a breakeven PVRR(d).

In addition, the Company provides two PVRR(d) sensitivity cases in its rebuttal testimony in response to parties’ concerns regarding Energy Gateway transmission assumptions and early unit retirement and resource replacement alternatives. To address the concern its initial analysis excluded consideration of avoiding or delaying Energy Gateway transmission investment, in one sensitivity case the Company removes Energy Gateway West and South segments and all incremental wind resources located in Wyoming. The Company states this sensitivity case improves the economics of the Project in comparison to the updated base case. In another sensitivity case, the Company forces the early retirement of Bridger Units 3 and 4. In this case, the SO simulation adds a combined cycle combustion turbine in 2017, and yields a PVRR(d) of [REDACTED] in favor of the Project.

Finally, should the EPA mandate a lower 0.05 lbs/MMBtu NOx emission limit, the Company argues all associated incremental cost implications could fit within the direct estimated SCR investment costs of [REDACTED]. The Company indicates the project scope capital cost modification to achieve 0.05 lbs/MMBtu for Bridger Units 3 and 4 ranges between [REDACTED] to [REDACTED]. Moreover, the Company testifies these costs are contained in the direct costs estimated and analyzed for the SCR systems as part of the Company's Application. Further, the Company argues increased operation and maintenance costs associated with meeting a 0.05 lbs/MMBtu requirement would have negligible impact on the Company's PVR(d) results.<sup>27</sup> Therefore, the Company argues it has positioned the Project to meet this more stringent potential requirement.

The Company notes emission-reduction projects such as the Bridger SCR Project are complicated, time consuming, and must be coordinated with other projects and planned maintenance outages to ensure service is not compromised and costs are minimized. Delaying commencement of the Project past mid May may cause the Company to miss the opportunity to carry out Project construction during planned outage windows for Units 3 and 4. Doing so would require deferring the planned outage.<sup>28</sup> According to the Company, the likely result would be failure to comply with the Wyoming SIP deadlines or increased Project-related costs, in part due to seasonal power replacement costs, or both. In sum, unless the Bridger SCR Project is carried out according to the Company's proposed schedule, the Company contends it risks noncompliance with required environmental regulations and higher Project costs.

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<sup>27</sup> See Confidential Transcript of Hearing, March 7, 2013, at 51, line 3 and at 74, line 25.

<sup>28</sup> See Direct Testimony, Chad A. Teply, at 31, lines 686-697.

Given the time-sensitive nature of commencing and completing the Project, the Company states it has already begun the competitive procurement process for engineering, procurement, and construction (“EPC”) contracts. The Company testifies it intends to sign EPC contracts in mid-May 2013. Further, the Company provides additional supporting exhibits, specifically, correspondence with the WDEQ in which the WDEQ again confirms the 2015 and 2016 compliance deadlines for each unit specified in the Application.

The Company contends the decision to implement the Bridger SCR Project constitutes a “resource decision” this Commission should review under UCA § 54-17-402. The Company argues the significant cost involved in the Project, the uncertainty of future regulation of thermal generation emissions, and the likelihood of differing public opinion regarding the least-cost, least-risk options, make this an appropriate resource decision to review. Further, considering the Company’s Application in advance of construction will allow the Commission an opportunity to evaluate the Project contemporaneously with the decision to construct. Additionally, any necessary changes to the decision can be economically undertaken.

Regarding the change in expected dates for the EPA to issue re-proposed or final rulemaking on the Wyoming SIP, the Company takes the position the EPA has deferred its decision on several previous occasions, and there is no guarantee it will not do so again. The Company argues the Project is much too important, time-sensitive, and resource-intense for the Commission to defer action pending the EPA’s uncertain timetable. Based on the best information available as of today, the Company contends it cannot delay the Project to await further EPA action. To ignore the Wyoming deadlines while an EPA proposal is pending could,

according to the Company, result in condensed construction times and additional costs. If the Company delays the start of its efforts to comply with the Wyoming deadlines until the fall of 2013, the Company estimates additional costs of [REDACTED] to [REDACTED] percent, or between [REDACTED] and [REDACTED] dollars, could result.<sup>29</sup>

**B. Division**

The Division conditionally supports the Company's Application. At hearing, the Division stated that the Company's selected technology is appropriate and its estimated pricing is reasonable.<sup>30</sup> In its brief addressing the EPA March Re-proposal, the Division recommends approval of the resource decision with the following conditions:

1. The Company's fully executed EPC contract must be reviewed by the Commission to ensure the final costs negotiated (including escalation, if any) in the EPC contract are aligned with the costs currently filed in the Application.
2. Ratepayer protections must be included in the signed EPC contract or in the alternative, through other Company commitments. Specifically, ratepayers should be held exempt from any non-compliance costs imposed by Wyoming or the EPA due to the Company or contractor's failure to meet the December 31, 2015, and December 31, 2016, emission limit deadlines, or other later deadlines as may be included in the EPA's re-proposal.

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<sup>29</sup> See Transcript of Hearing, March 7, 2013, at 82, lines 24-25; 83, lines 1-3; and 84, lines 3-5 (testimony of Company witness, Chad Teply, responding to Chairman Clark's question about "the cost consequences to the Company or to the rate pa[yers] of the Company of delaying until . . . fall of this year...").

<sup>30</sup> See Transcript of Hearing, March 7, 2013, at 171, lines 23-25; and 172, lines 1-4 (testimony of Division witness Mark W. Crisp, responding to Mr. Michel's question about "what your recommendation would be for the Commission if it were to grant approval...").

3. Any deviation between the SCR costs included in this case and the costs included in a future general rate case or major plant addition case should be explained by the Company. Such explanations should be provided with the Company's general rate case or major plant addition application.
4. The Commission should approve the decision to construct the SCR systems, not pre-approve whatever costs may be incurred under the SCR systems project. Actual SCR system costs or forecasted SCR system costs proposed to be included in a future general rate case or major plant addition case test year should be open for prudence review. For example, should imprudent Company actions during construction result in an increase in costs for a given component of the project, such costs should not be recovered from ratepayers regardless of whether the total project costs are less than or more than the costs included in this case.

In its brief, the Division supports the Company's Application but states approval is not absolute. It argues UCA 54-17-403 provides "the commission may disallow some or all costs incurred . . . if the . . . utility's actions in implementing an approved resource decision are not prudent because of new information or changed circumstances. . . ." Additionally, the Division argues the Company retains the duty to prudently implement the resource decision. In the Division's view, doing so may require deviation from the approved resource decision if circumstances diverge from those upon which approval was granted.

The Division states further that implementation of the resource decision is more than simply the construction of the Project. It also includes the choice to continue with

implementation in light of new or changed circumstances as the project progresses. The choice to continue with implementation is partially a planning issue when changed circumstances demand a change in course of action possibly requiring termination of implementation.

In its comments on the change in the deadline for the EPA re-proposal, the Division continues to support conditional approval of the Company's Application and states the EPA's inaction on the anticipated date does not warrant disapproval of the Application.

**C. Office**

The Office recommends the Commission deny the Company's Application. The Office maintains, ". . . the benefits to be derived from the resource must be clear or pre-approval must be denied."<sup>31</sup> The Office asserts denial of "pre-approval" still allows the Company the opportunity to request recovery of Project costs in a general rate case, which is a more traditional means of cost recovery.<sup>32</sup> The Office is satisfied the record relating to its modeling issues is sufficiently developed to enable the Commission to reach a reasoned conclusion on the Application.

The Office contends due to the high level of uncertainty related to future EPA action it is not possible for the Commission to determine if the Company is pursuing the least-cost option for compliance. Further, the Office believes this uncertainty also makes it impossible for the Commission to determine now the Company's Application for pre-approval is in the public interest.

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<sup>31</sup> Direct Testimony of Cheryl Murray, at 3, lines 52-53.

<sup>32</sup> While some parties use the term "pre-approval" in characterizing the Application, the statute authorizes the Commission to "approve all or part of a resource *decision*..." See UCA § 54-17-402 (emphasis added). Nothing in this order is intended to supplant or waive the cost recovery provisions set forth in UCA § 54-17-403.

The Office argues approval of the resource decision should only be granted if the Bridger SCR Project is clearly demonstrated to provide ratepayer benefits as the least-cost option for compliance with the EPA's regional haze implementation plan requirements. Further, the Office argues that due to the uncertainty associated with the delay in the EPA's re-proposed rulemaking, the Commission cannot determine the Company's proposal is a preferred course of action and therefore should not approve the Company's Application.

**D. WRA**

WRA agrees with the Office that for the statute governing the voluntary request for approval of a resource decision to be used appropriately, "preapproval must be based on a clear demonstration of benefits."<sup>33</sup> Otherwise the regulatory bargain is strained. WRA contends the Company is in effect requesting the Commission to make determinations that it is not best suited to make.

WRA states, given that the Company's analysis in this case is not clear-cut, has undergone extensive revisions, and is extremely sensitive to modeling assumptions, and given that certain critical pieces of information are still in flux, it appears that customer interests are best protected by denying the current voluntary request for pre-approval. WRA asserts several errors in the Company's analysis which WRA claims cause the case for SCRs to be overstated:

1. The capacity of the Bridger Units 3 and 4 is overstated and forecast unit availability does not conform to history.

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<sup>33</sup> Surrebuttal Testimony, Nancy Kelly, at 19, line 377.

2. Mine reclamation is assumed to begin in the gas conversion case prior to the date when SCRs would be installed.
3. The potential for avoided or delayed transmission is not incorporated into the analysis.
4. The Company's CO<sub>2</sub> price forecasts are unreasonably low, do not provide a reasonable range of values, and are inconsistent with past modeling efforts.
5. If the EPA requires higher reductions of NO<sub>x</sub> than included in the Company's retrofit plans, capacity could be further reduced and operation and maintenance costs over the life of the facility could be increased.

WRA also believes the Company is undervaluing the monetary and environmental benefits of the water used at Bridger Units 3 and 4. Although these benefits are difficult to quantify, WRA believes they are not zero, and should be considered by the Commission in this proceeding. While the annual cost of water is not likely to affect the Company's strategy for reducing pollution at the Bridger Plant, the monetary value of the water rights in addition to the environmental value of leaving the water in stream should weigh in the Commission's decision.

WRA testifies the revisions made by the Company in its rebuttal testimony weaken the economic case for the Project and underscore the sensitivity of the results to the underlying assumptions. WRA states the estimated benefit in the Company's base case declined significantly to the point to where the decline is larger than the remaining benefit. Three modeling updates contribute to the significant decline in the estimated benefit of the Project in the base case. Two of the three assumption updates are primarily responsible for the reduction in the estimated benefit of the Project, and demonstrate just how sensitive the results are to changes

in modeling assumptions. The update to the OFPC, coal cash cost, and mine capital costs are the primary sources of the decline in the estimated benefit.

WRA, through its legal counsel, also introduced at hearing an agreement between the EPA, Public Service Company of New Mexico, and the state of New Mexico regarding the installation of selective non-catalytic reduction technology on the San Juan Generation Station's ("SJGS") Units 1 and 4 and the retirement of SJGS Units 2 and 3. WRA questions whether a similar approach would be applicable to Bridger units and whether the parties had enough time to investigate this option in the analysis. No WRA witness offered testimony regarding this option.

WRA concludes the Commission does not have the information it would need to determine SCR is the least-cost outcome adjusted for risk and uncertainty. WRA recommends the Commission reject the Company's Application. WRA notes the Company has requested pre-approval of the costs of the Project under UCA § 54-17-402. The statute allows a utility to seek pre-approval of a resource acquisition decision before expending the funds. However, in WRA's view, the request is voluntary and denial of the voluntary request by the Commission does not restrain the Company's future actions.

#### **E. Sierra Club**

Sierra Club contends the Company's proposed Project is an unstable solution which is ultimately not in the public interest because the Company's analysis in support of the Project is inconclusive and deficient. According to Sierra Club, Commission pre-approval of the Project would create a substantial risk for ratepayers and would remove the incentive for the

Company to continue to scrutinize lower cost alternatives to the installation of SCR retrofits at the Bridger Plant. Sierra Club asserts the following four concerns regarding the Company's analysis:

1. The Company's coal remediation analysis biases the choice to retrofit Bridger Units 3 and 4 with SCR.
2. The Company's analysis does not show how the alternative of potential retirement of Bridger Units 3 and 4 would alleviate transmission build out requirements and would avoid components of the Company's proposed Energy Gateway West transmission project.
3. The Company's revised rebuttal analysis reducing forecasted CO<sub>2</sub> compliance costs is unsupported and the Company's supposition of a positive relationship between natural gas and CO<sub>2</sub> compliance costs is unfounded.
4. The Company failed to explore the opportunity to defer the costs of SCR until a federal mandate is in place.

Sierra Club contends the Company's analysis which compares the cost impact of retiring Bridger Units 3 and 4 as a compliance alternative to the Company's preferred SCR retrofit is biased by excessive costs the Company assumes would occur with the closure (or partial closure) and subsequent remediation of the adjacent Jim Bridger coal mine.<sup>34</sup>

Sierra Club asserts the Company's surface mine remediation plan, under an assumed two or three unit retirement option, accelerates the remediation process faster than

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<sup>34</sup> The Company has two-thirds interest in the Jim Bridger Mine under its affiliate, Bridger Coal Company.

Wyoming regulatory requirements dictate. As a result, according to Sierra Club, the net present value of the Company's Bridger coal mine remediation sinking fund withdrawals is overstated, thus making the costs of Bridger unit retirement unfavorable in comparison to the SCR retrofit option. Additionally, Sierra Club argues the Company's retirement analysis fails to properly account for underground coal mine remediation costs, further biasing the analysis in favor of the SCR retrofit option.

Sierra Club also claims the Company provides little evidence it will be forced to shut down surface mining operations due to its inability to sell coal, assuming potential retirement of Bridger Units 3 and 4. Sierra Club asserts the Company has not issued solicitations to sell coal to other parties and has not determined if there is a domestic market for this coal.

Sierra Club argues the Company did not adequately consider the opportunity to avoid transmission expenses by retiring some of the Bridger units and replacing them with generation resources closer to load centers or with demand side management options. Sierra Club states if one or more units at Bridger are retired in the next few years, several hundred megawatts of capacity would be opened on existing transmission lines connecting Bridger to the Company's Populus substation near Downey, Idaho. According to Sierra Club, this would allow the Company to defer expenditures on the proposed development of additional transmission lines connecting these two points, as included in the Company's Energy Gateway West transmission development plan. As an alternative, Sierra Club argues if potential replacement generation and capacity were developed and sited closer to Utah or Oregon load centers, the Company may be able to relieve other transmission constraints.

Sierra Club contends the Company's sensitivity case which removes certain segments of planned Energy Gateway transmission is inadequate because it fails to examine the opportunity to avoid transmission investments on the segment of Energy Gateway West connecting the Bridger Plant to Utah and Oregon load centers. Sierra Club concludes the Company has not demonstrated the links in the proposed Energy Gateway West transmission project westward of the Bridger plant are unavoidable and argues the Company therefore denies ratepayers the opportunity to avoid unnecessary transmission infrastructure development costs, thereby biasing the Company's analysis against a potential unit retirement decision.

In its direct testimony, Sierra Club argues the Company's CO<sub>2</sub> price forecasts are unreasonably low, further biasing the analysis. Sierra Club claims it reviewed over 60 CO<sub>2</sub> price forecasts from approximately 25 publicly available IRP and utility planning dockets filed since 2009 and determined the Company's CO<sub>2</sub> forecast used in the SCR analysis is lower than similar forecasts used by other utilities and industry groups. For example, Sierra Club claims the Company's high CO<sub>2</sub> forecast is closer to what some other utilities and parties consider a mid-range forecast.

Sierra Club contends the Company's choice of what the Sierra Club considers to be a very low base CO<sub>2</sub> price forecast suggests the Company is "casting particularly long odds on any form of climate regulation or legislation relative to its counterparts."<sup>35</sup> Sierra Club argues this is an "outlier position" that is neither prudent nor safe, and exposes ratepayers to significant risk.

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<sup>35</sup> See Sierra Club, Rebuttal Testimony of Jeremy Fisher, at.23.

In its surrebuttal testimony, Sierra Club addresses the Company's assertion of a positive natural gas and CO<sub>2</sub> price relationship. Sierra Club does not necessarily reject the direct relationship between natural gas and CO<sub>2</sub> prices, and agrees there may be some coal-to-gas switching with low CO<sub>2</sub> and gas prices in the short term. In the long run, however, Sierra Club argues that continuously rising CO<sub>2</sub> prices may incent power providers to choose not to build gas generation resources because such resources would also be subject to payment of CO<sub>2</sub> prices. Under such conditions, according to Sierra Club, power providers may opt to develop other low emissions sources such as renewable or even nuclear energy.

Sierra Club states the net interaction between gas prices and CO<sub>2</sub> prices involves a complex interplay of factors potentially leading to numerous outcomes. Sierra Club contends the Company's assumed natural gas CO<sub>2</sub> price relationship is unfounded and is overemphasized, thereby biasing the analysis regarding reasonable generation replacement portfolios.

Sierra Club also asserts it is not necessary for the Company to meet the requirement for the proposed SCR retrofit until 2018. Sierra Club claims there is no reason for the Company to move forward with construction of the proposed project right now. Sierra Club contends the EPA's December 2012 extension delaying a final determination prevents the Commission and other parties from considering the additional economic impacts that could result once the final rule is made. With final determination, according to Sierra Club, all four Bridger Units now become subject to BART, an outcome affecting the entire plant, not just Units 3 and 4. Compliance with the EPA's final determination could include potential acceleration of installation of SCR on Bridger Units 1 and 2, increased capital and operational costs necessary to

meet potentially more aggressive emissions limits, or the impact of installing SCR on all four Jim Bridger units within a five-year window.

According to Sierra Club, if the final promulgation of the EPA's final determination takes place on September 27, 2013, the new compliance deadline for the installation and operation of BART would occur no earlier than September 27, 2018, giving the Company nearly three additional years to complete the installation of BART emissions controls or to implement another alternative. Additionally, Sierra Club contends the BART Settlement Agreement can be modified if the final determination results in changed circumstances. Therefore, Sierra Club argues the Company should, for the benefit of its ratepayers, seek to amend the BART Settlement Agreement (and the EQC order) and delay the Project.

Sierra Club argues the Company is requesting pre-approval to proceed with a massive capital project to comply with federal law before the specific federal requirement is finalized. It contends Wyoming's proposed 2015/2016 compliance dates will be irrelevant if the EPA disapproves the proposed Wyoming SIP. Further, given the most recent extension of the EPA's proposed rule, Sierra Club argues that neither the Company nor the Commission will know what the actual compliance emission limits and dates will be until after the Company proposes to begin construction of the Project. Sierra Club notes without knowing the final environmental requirements for the Bridger facility, the Commission cannot determine at this time whether the proposed resource decision is prudent, and therefore the Commission must deny the Company's Application.

#### **IV. DISCUSSION, FINDINGS, AND CONCLUSIONS**

This is the first voluntary request for approval of a resource decision filed with the Commission pursuant to UCA § 54-17-402 and UAC R746-440-1. Under UCA § 54-17-402, the Commission has the authority to hear voluntary requests to approve all or part of a proposed resource decision by a public utility before the utility implements the resource decision. Resource decisions include those relating to “an energy utility’s acquisition, management, or operation of energy production, processing, transmission, or distribution facilities or processes . . . .” UCA § 54-17-401(2)(a).

When considering a voluntary request to approve a resource decision, UCA § 54-17-402(3)(b) requires the Commission to determine whether the decision:

- (b) is in the public interest, taking into consideration:
  - (i) whether it will most likely result in the acquisition, production, and delivery of utility services at the lowest reasonable cost to the retail customers of an energy utility located in this state;
  - (ii) long-term and short-term impacts;
  - (iii) risk;
  - (iv) reliability;
  - (v) financial impacts on the energy utility; and
  - (vi) other factors determined by the commission to be relevant.

In the event the Commission approves a resource decision under this statute, UCA § 54-17-402(7) requires the Commission to include in its order:

- (a) findings as to the approved projected costs of a resource decision; and
- (b) the basis upon which the [projected costs] are made.

Three of the seven intervening parties in this case, the Office, WRA, and Sierra Club, recommend the Commission deny the Company’s request for approval of its Application.

To some extent, these parties argue it is impossible to determine whether the Project is least cost because the EPA has yet to issue its final rulemaking regarding the Wyoming SIP and therefore it is unknown when the Company must comply, and what the Company must do in order to comply, with EPA's final rulemaking. The Office argues too much uncertainty exists for the Commission to determine the Company's Application is in the public interest. Essentially, these parties place little weight, if any, on the Wyoming process and the determinations made therein. The Company and Division, on the other hand, place substantial weight on the legally binding Wyoming requirements. Based on the record in this case, we agree with the Company and Division that the Wyoming SIP requirements warrant our consideration now of the reasonableness of the Company's resource decision.

The Company filed correspondence from the WDEQ, dated March 6, 2013, stating the Company is required to meet the Wyoming SIP, including the emissions limits and deadlines for Bridger Units 3 and 4. Further, as noted by the Company in its April 19, 2013, reply brief, should the EPA issue a federal implementation plan ("FIP"), the State of Wyoming may take various steps to cure and implement the SIP, rather than implement the FIP.<sup>36</sup> It is uncontroverted that Wyoming law currently requires the reduction of NOx emissions at Bridger Units 3 and 4 by 2015 and 2016, respectively.

It is also undisputed the proposed SCR technology is a compliant technology to meet the Wyoming emission limit of 0.07 lbs/MMBtu, as well as the more stringent limit of 0.05

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<sup>36</sup> See Rocky Mountain Power Reply Comments Relating to EPA Action, dated April 19, 2013, at 3.

lbs/MMBtu, should the EPA impose the more stringent limit as it has done elsewhere.<sup>37</sup> The Company's unrebutted testimony states this more stringent emissions limit can be achieved within the scope of Project costs presented in the Application. No party provides evidence the EPA has unilaterally imposed any more stringent requirement on an electric utility to satisfy regional haze requirements. Thus, in considering the current mandates of the Wyoming SIP, we conclude it is reasonable at this juncture to presume the EPA will issue a final rulemaking requiring technologies and emission limits consistent with the mandates underlying the Application.

Further, the EPA is now expected to issue its notice of re-proposed rulemaking on May 23, 2013. Should the EPA re-propose a solution that is outside the presumed mandates, UCA § 54-17-404 provides a process for the Company to request Commission review and determination of whether to proceed with implementation of the approved resource decision. Moreover, UCA § 54-17-403(2) places on the Company the burden to respond prudently to new information and changed circumstances or risk the Commission finding the Company's responsive actions to be imprudent and inconsistent with the public interest. Clearly, the Company is now aware the EPA may issue its notice of re-proposed rulemaking within weeks of this order. Therefore, we conclude while it is appropriate for the Company to begin to implement its resource decision now, it must do so in a manner that preserves its flexibility to respond appropriately to final EPA action that is outside the bounds of the assumptions on which its Application rests.

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<sup>37</sup> See Transcript of Pre-Hearing Conference, February 6, 2013, at 26, lines 6-15; See also Matt Croft Surrebuttal Testimony at 4-6, lines 54-117.

WRA and Sierra Club further argue the Commission should deny the Company's Application because the Company has failed to prove the Project is least cost. WRA and Sierra Club contend the Company's economic analysis of alternative compliance strategies overstates the cases supporting the Project, and therefore the Application should be denied.

Specifically, WRA and Sierra Club argue the Company does not properly account for the costs of certain Energy Gateway transmission investment which, they claim, would be avoided if Bridger Units 3 and 4 were retired. We find the Company's sensitivity case which retires Bridger Units 3 and 4 and cancels certain Energy Gateway transmission investment, and consequential wind resource investment, shows this alternative would be higher cost than the Project. We are not persuaded by WRA or Sierra Club this sensitivity analysis is flawed because it removes more of the Energy Gateway project than they consider appropriate for the scenario. Based on the Company's testimony, we are neither persuaded the Company may cancel select portions of transmission segments as suggested by WRA and Sierra Club; nor are we convinced if it did, the savings would outweigh the higher cost of the required replacement power. We conclude the evidence in this case does not support a conclusion that cost savings from avoiding segments of Energy Gateway transmission outweigh the benefits of the Project.

WRA and Sierra Club both argue the Company's estimates for possible future "taxes" on CO<sub>2</sub> emissions are too low and thus overstate the advantages of the Project. The Company counters its estimates are recent and consistent with its 2013 IRP. Further, the Company testifies CO<sub>2</sub> levelized costs for the period 2016 through 2030 would have to exceed \$30 per ton to achieve breakeven results between natural gas conversion and the Project. Based

on the Company's testimony, we are not persuaded reasonable CO<sub>2</sub> cost adjustments would shift the analysis in favor of natural gas conversion or retirement. Rather, we find the Company's assumptions reasonably reflect the uncertainties of future CO<sub>2</sub> compliance costs. Sierra Club also questions the Company's assumption regarding the assumed positive relationship between natural gas price and CO<sub>2</sub> price. We agree with the Company, and the variety of forecasting firms cited in testimony by the Company, such a trend is plausible if not likely and more likely than the case in which the two prices are expected to be independent of one another.

Finally, both WRA and Sierra Club argue the Company's economic analysis overstates mine closure and remediation costs in the event of unit retirement or conversion to gas. WRA and Sierra Club question the timing of remediation costs in the various alternatives and argue the Company's assumptions inappropriately burden the natural gas conversion case. We are persuaded by the Company response that it cannot alter mine reclamation without considering mining operations plans. Sierra Club's analysis does not consider this fact.

Sierra Club also challenges the Company's assumption coal costs would increase for Bridger Units 1 and 2 if Units 3 and 4 are converted to natural gas. Rather, Sierra Club argues, the Company could continue to mine the coal as before and sell it to offset remediation cost. However, Sierra Club provides no evidence the coal can be sold or shipped off the site. The Company, on the other hand, provides evidence additional loading and rail infrastructure would be required and the coal may be difficult to sell due to its composition. While WRA also asserts the Company has assumed incorrect capacities and availabilities for Bridger Units 3 and 4, thus favoring the Project, WRA provides no indication of the impact of this alleged error.

We are not persuaded by Sierra Club or WRA that further adjustments to address the foregoing issues are reasonable or would cause the results of the Company's economic analysis to swing in favor of natural gas conversion or early retirement. We note the Company's economic analysis not only demonstrates the Project is favored in six of nine cases, but substantially so. We find no compelling evidence, arguments, or analysis shifting the economics to favor to an alternative strategy to comply with the Wyoming SIP requirements.

Finally, we acknowledge the Division's recommendation that our approval of the Application include certain conditions (summarized in Section III. B., above). We conclude the conditions we impose below appropriately address the Division's recommendation.

Based on the foregoing discussion and the evidence presented in this case, we approve the Company's resource decision to construct SCR systems to achieve 0.07 lbs/MMBtu limits at Bridger Unit 3 by 2015, and Unit 4 by 2016, as described in the Application. We find the Company has demonstrated the Bridger SCR Project is the least-cost means, adjusted for risk, to meet the emissions limits for Bridger Units 3 and 4 established by the Wyoming emission standards. We also find the Company's proposed timing for completing the Project will benefit ratepayers by avoiding increased Project cost due to the requirements of a compressed construction schedule and possible additional outages. Coordinating the timing of the Project with the four-year maintenance schedules of the Bridger Plant also will manage costs and risks associated with potential replacement power cost while the Project is implemented. Importantly, this timing will also ensure the Project is completed in time to meet the Wyoming SIP deadlines.

We approve [REDACTED] as the reasonable projected cost of the resource decision to implement SCR systems designed to meet the proposed NOx limit of 0.07 lbs/MMBtu. We base this finding on the Company's testimony that achieving 0.05 lbs/MMBtu is expected to cost between [REDACTED] and [REDACTED] and that this amount is contained within the estimated Project cost of [REDACTED] for the SCR systems. Accordingly, we have removed [REDACTED] of the Project cost required to meet the 0.07 lbs/MMBtu NOx emission limit from the requested [REDACTED] to reflect the Company's testimony.

Approval of the [REDACTED] projected cost is conditioned upon our future review of the final EPC contract(s) for the SCR systems. If the EPC contract(s) to achieve 0.07 lbs/MMBtu NOx emission limits total less than this amount, the EPC amount shall replace the [REDACTED] as the approved projected costs of the resource decision required pursuant to UCA § 54-17-402(7)(a). Pursuant to UCA § 54-17-403, any increase from this projected cost is subject to Commission review as part of a rate hearing under UCA § 54-7-12, except to the extent the Commission issues an order under UCA § 54-17-404.

We also approve [REDACTED] as the reasonable projected cost of the resource decision to meet a NOx limit of 0.05 lbs/MMBtu. This projected cost is approved conditioned on a final EPA rule specifying this lower limit. The [REDACTED] projected cost to achieve a limit of 0.05 lbs/MMBtu is also conditioned upon our future review of the final EPC contract(s) for the SCR systems. If the EPC contract(s) to achieve 0.05 lbs/MMBtu emission limits total less than this amount, the EPC contracts(s) amount shall replace the [REDACTED] as the

approved projected cost of the resource decision required pursuant to UCA § 54-17-402(7)(a). And again, pursuant to UCA § 54-17-403, any increase from this projected cost is subject to Commission review as part of a rate hearing under UCA § 54-7-12, except to the extent the Commission issues an order under UCA § 54-17-404.

**V. ORDER**

Pursuant to the foregoing discussion, findings and conclusions made herein, we

**ORDER:**

1. The Company's resource decision to construct SCR systems on Bridger Units 3 and 4 is approved.
2. The approved projected cost of the Project is [REDACTED], conditioned upon our review of the executed EPC contract(s) as discussed herein.
3. In the event the EPA issues a final rule imposing a 0.05 lbs/MMBtu NO<sub>x</sub> emissions limit, the approved projected cost of the Project is [REDACTED], conditioned upon our review of the executed EPC contract(s) as discussed herein.
4. The Company shall file the executed EPC contract(s) for the Project as soon as practicable.
5. In light of the current uncertainties pertaining to future EPA actions regarding the Wyoming SIP and pursuant to UCA § 54-17-403(2), the approval of resource decision projected costs in this Order is conditioned on the Company acting prudently when responding to potential new information and changed conditions.

DOCKET NO. 12-035-92

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DATED at Salt Lake City, Utah, this 10<sup>th</sup> day of May, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary  
D#244314

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 30<sup>th</sup> day of May, 2013, a true and correct copy of the foregoing REDACTED REPORT AND ORDER was served upon the following as indicated below:

By Electronic-Mail:

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Administrative Assistant