

13-035-02/Rocky Mountain Power
March 6, 2013
DPU Data Request 2.36

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Page II-30 of Exhibit RMP ____ (JJS-2) shows James River-Cogen with a life span of 20 years.

- (a) Please explain why the expected life is not longer for this unit.
- (b) Provide any company study showing the actual experienced lives of similar units.
- (c) Provide the study that supports the proposed 20 year life span.
- (d) Does the company have definite plans to retire this plant in 2016? If yes, provide the supporting documents.
- (e) Is this the same unit that is called Camas (Co-gen) on page 2 of Exhibit RMP ____ (KIA-1)?

Response to DPU Data Request 2.36

- (a) The viable operating life of PacifiCorp's steam turbine installed at Georgia Pacific's Camas paper mill (formerly owned by James River) is set by the terms of the lease for the space in which the turbine is installed. This lease expires 20 years after the turbine entered commercial operation, or December 30, 2015.

The lease provides that upon expiration: 1) Georgia Pacific and PacifiCorp may negotiate a new lease or an extension of the existing lease, 2) if a new lease is not negotiated, then Georgia Pacific may exercise an option to purchase the steam turbine from PacifiCorp, or 3) if a new lease is not negotiated and Georgia Pacific does not exercise its purchase option, then PacifiCorp must dismantle and remove the steam turbine and associated structures at its own expense. See sections 4.1, 4.2, 13.2 and 16.2 of Confidential Attachment DPU 2.36. Absent a new lease, under these terms the company cannot plan to operate the steam turbine past the lease expiration date. Confidential information is provided subject to Utah PSC Rule 746-100-16.

- (b) The current proposed life is based on the terms and conditions of the lease agreement. The equipment, provided that it is properly maintained, and new lease terms are reached, should be able to have a 40 year life.
- (c) Please see the response to (b).
- (d) The Company has entered into discussions with Georgia Pacific regarding the end-of-lease options. However, no agreement has been reached at this time. As a result, the Company has definitive plans to retire this unit in 2016.
- (e) Yes.

DPU Data Request 6.1

The following request is intended to confirm certain statements made by RMP/PacifiCorp personnel during the inspection trip which occurred in Utah on April 24 and 25, 2013 (“inspection trip”). These statements are not intended to be word for word quotations, but are intended to reasonably reflect the content of the statements made by the RMP/PacifiCorp personnel.

- a** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that for new production plants California and Oregon have a limit of 1,000 pounds of carbon dioxide emissions per megawatt-hour, and the state of Washington has a limit of 970 pounds of carbon dioxide emissions per megawatt-hour for new production plants? If this is not a correct statement, provide the corrected statement.
- b** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the existing production plants are “grandfathered” and therefore the California and Oregon limits of 1,000 pounds of carbon dioxide emissions per megawatt-hour, and the state of Washington limit of 970 pounds of carbon dioxide emissions per megawatt-hour do not apply to the existing production plants? If this is not a correct statement, provide the corrected statement.
- c** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the emission from a natural gas fueled power plant are generally less than 970 or 1,000 pounds of carbon dioxide emissions per megawatt-hour, but the emission from a coal fueled power plant exceed 970 or 1,000 pounds of carbon dioxide emissions per megawatt-hour (absent sequestering of the carbon dioxide underground) and therefore these rules effectively prevent the construction of new coal power plants in those states? If this is not a correct statement, provide the corrected statement.
- d** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the cost of power from a coal fueled power plant is generally less than the cost of power from even a combined cycle natural gas fueled power plant, and the primary reason for this is that the cost per BTU of coal is substantially less than the cost per BTU of natural gas? If this is not a correct statement, provide the corrected statement.
- e** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that at the Carbon Plant there are already parts of the ash fill that have been abated, including covering it with top-soil and planting vegetation? If this is not a correct statement, provide the corrected statement.
- f** Is it correct that during the inspection trip personnel from a contractor working for RMP/PacifiCorp stated that in one boiler at the Carbon Plant there still was asbestos on levels 1-4, but there was no asbestos on levels 5-9, and the amount of asbestos in the other boiler was basically similar (but not necessarily identical)? If this is not a correct statement, provide the corrected statement.

- g** Is it correct that during the inspection trip personnel from a contractor working for RMP/PacifiCorp stated that he was at the Carbon Plant full time 5 days per week, and his function was to deal with insulation and lead paint? If this is not a correct statement, provide the corrected statement.
- h** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the expected cost of removal for the recently retired Little Mountain combustion turbine was expected to be approximately \$900,000 plus approximately \$900,000 to abate pollutions issues including fuel spills? If this is not a correct statement, provide the corrected statement.
- i** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the “Simulated” life analysis is not as accurate as the “Actuarial” life analysis? If this is not a correct statement, provide the corrected statement.
- j** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that load growth can result in earlier retirements of distribution transformers, and Utah is generally the PacifiCorp state with the fastest load growth? If this is not a correct statement, provide the corrected statement.
- k** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the portion of the relocation reimbursement that is booked into the depreciation reserve to cover the cost of removal is included in the gross salvage in the Company net salvage analysis in this case? If this is not a correct statement, provide the corrected statement.
- l** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the James River co-gen unit is located at a paper mill; The paper mill provides the steam to drive the turbine, and the paper mill takes the steam that comes out of the turbine; The current lease expires in 2016 and other than the lease there is no issue (mechanical problems, etc) requiring the retirement of the unit in 2016; There are provisions in the lease that allow renewal; the paper mill has not notified that they will not renew, but the paper mill may seek the best financial arrangement? If this is not a correct statement, provide the corrected statement.
- m** Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that for production plants that have more than one unit the investment is available separately by unit, and the investment in the common facilities is also separately available? If this is not a correct statement, provide the corrected statement.

- n Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that the OMC computer was installed in 2005 and is expected to be replaced in approximately 2016; that the EMS computer was installed in 2000, upgraded in 2002, and is expected to be replaced in 2014 or 2015; and that approximately 1/3rd of the corporate data computer is replaced each year? If this is not a correct statement, provide the corrected statement.
- o Is it correct that during the inspection trip personnel representing RMP/PacifiCorp stated that prior to the merger RMP did not keep the depreciation reserve amounts for steam production accounts separately by production plant, but after the merger did start keeping the depreciation reserve amounts separately by production plant? If this is not a correct statement, provide the corrected statement.

Response to DPU Data Request 6.1

- a. The current California and Oregon Emissions Performance Standards (EPS) for Green House Gas (GHG) emissions, primarily carbon dioxide, is 1,100 pounds per megawatt-hour for baseload plants. The newly adopted EPS for GHG for the state of Washington state is 970 pounds per megawatt-hour for baseload plants.
- b. The California, Oregon and Washington GHG EPS do not apply to existing baseload plants.
- c. Correct for both statements. Note that current GHG EPS apply only to baseload plants.
- d. That is a correct statement for PacifiCorp's fossil fuel-fired resources for the fuel cost of electric energy. In recent history, there have been cases when the cost of natural gas was lower than the delivered cost of coal at some power plants in the eastern United States.
- e. The old ash landfill located to the north of the existing Carbon Plant ash landfill was abated prior to 1991. Approximately 70% of the west facing slopes on the existing landfill have been covered and seeded for dust and erosion control. A closure plan has been developed for this landfill but it has not been implemented. Once the plan is put into action, the current coverage and seeding will be removed to accommodate new surface grades, recovered and reseeded.
- f. Approximately 50% of the asbestos on levels 5 & 6 has been abated. Approximately 85% of the asbestos on level 8 remains. Most of the asbestos on level 9 has been abated with the exception of the roof. The amount of asbestos on both boilers is similar.
- g. Yes. There is currently a full-time contractor who performs lead paint removal, asbestos removal/abatement and insulation services.
- h. The current estimated cost for the demolition of the Little Mountain plant including asbestos abatement is approximately \$900,000. The current estimated cost for site remediation following plant demolition is approximately \$900,000.

- i. Yes, the Company believes that both “Simulated” and “Actuarial” life analyses are approved and recognized techniques based on the data available to do the analysis, but when complete actuarial data exists, the preferred method would be to use the ‘Actuarial” method since it would more accurately reflect the experience of the company being studied.
- j. Yes, RMP/PacifiCorp stated that load growth can result in earlier retirements of distribution transformers, but did not directly state that Utah is generally the PacifiCorp state with the fastest load growth. A more accurate statement would be that the load growth occurring in Utah is in more densely populated areas resulting in the requirement to upgrade the size of certain distribution transformers.
- k. Yes, the Company stated that the portion of the third party accommodation payments booked into the depreciation reserve to cover the cost of removal is included in the net salvage analysis in this case.
- l. The co-gen unit (sometimes referred to as James River) is located at the Camas paper mill owned by Georgia Pacific. The paper mill provides high pressure steam to drive the turbine and the paper mill takes low pressure steam leaving the turbine. The current lease expires December 31, 2015. There are no known mechanical or electrical issues that would require retirement in 2016. The lease makes provision for renewal lease; the paper mill has proposed a number of options in anticipation of the lease termination; however, none of the proposed options is a renewal of the current lease arrangement. It is expected the mill would seek a financial arrangement favorable to the mill. The future disposition of the Camas co-gen plant is unknown at this time.
- m. Yes, the company stated that for production plants which have more than one unit, the gross investment is available separately by unit, with the investment in the common facilities also separately available. The accumulated depreciation reserve is not maintained on the same basis, but by combined plant location.
- n. Personnel representing RMP/PacifiCorp stated that the outage management system (CADOPS) computer was installed in 2005 and is expected to be replaced in approximately 2016. After further review, it was determined that it is planned to be replaced in 2014. Monitors and other desk top equipment have been replaced on an interim basis as needed. The EMS computer was installed in 2000, upgraded in 2002, and is expected to be replaced in 2015. The statement was made during the visit that approximately one third of the corporate data computer is replaced each year. This is a rough estimate and it must also be taken into consideration that some of this equipment could be redeployed and may not necessarily be the oldest equipment.
- o. Yes, the Company stated that the predecessor Utah Power & Light Company maintained the depreciation reserve for steam generation as a composite group until it merged with PacifiCorp. During the next depreciation study, the reserve was allocated to each specific plant and has been maintained on that basis since that time.