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## Recommendation

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director  
Brenda Salter, Assistant Director  
David Williams, Utility Technical Consultant  
Matthew Pernichele, Utility Analyst

**Date:** March 31, 2025

**Re:** **Docket No. 25-035-17** Division of Public Utilities' Audit of PacifiCorp's 2024 Fuel Inventory Policies and Practices

## Recommendation (Approve)

The Utah Division of Public Utilities (Division) has reviewed the confidential "PacifiCorp Coal Inventory Policies and Procedures" of PacifiCorp (Company) dated February 25, 2025 (the 2025 Policies and Procedure Manual). The Division finds that the Company is generally in compliance with the directive from the Public Service Commission of Utah (Commission) in Docket No. 09-035-23.<sup>1</sup> The Division recommends the Commission approve the Company's 2025 Policies and Procedure Manual as complying with the 2010 Order.

## Issue

This memorandum is in response to the Commission's 2010 Order, which directs the Division to "conduct an annual audit of the Company's fuel inventory management policies, procedures, and actual practices and provide a summary of its audit and associated

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<sup>1</sup> *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 09-035-23, Report and Order on Revenue Requirement, Cost of Service and Spread of Rate at 106 (February 18, 2010) (2010 Order).



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findings to the Commission by no later than March 31 of each year for the previous year's activity."<sup>2</sup>

This memorandum (the 2025 Division Memo) does not preclude the Division's analysis of the impact of coal inventory levels on associated net power cost and other related issues in other dockets and proceedings, such as Energy Balancing Account filings or general rate cases.

## **Background**

The Division met with the Company's Fuel Resources Department via conference call on February 25, 2025. The Company and the Division discussed the inventories at each of the Company's owned and affiliated coal plants and discussed plant deliveries, coal supply, coal consumption, and other related issues. Prior to the call, the Company submitted the following documents to the Division:

- PacifiCorp Fuel Stock Balance Review (Summary Inventory Data)
- PacifiCorp Coal Inventory – Confidential Review of 2024 Inventory Levels with the Division of Public Utilities (the "2024 Review")
- PacifiCorp Coal Inventory – Policies and Procedures - Updated February 25, 2025 (the "2025 Policies and Procedure Manual," or "2025 Manual")
  - Redlined PacifiCorp Coal Inventory – Policies and Procedures - Updated February 25, 2025

For the review of the 2024 inventories, the Company provided monthly average tonnage levels and end-of-year inventories at each plant, as well as both the previous year's targets and any new adjusted targets. The Fuel Resources Department monitors inventory levels and conducts quarterly aerial surveys for the Company's operated coal plants to determine the stockpile amounts. The Division looked at both historical and average stockpile levels, compared those to the Company's targeted inventory levels, and determined whether the Company met its targeted tonnage levels and days' worth of inventory (days' burn) at each

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<sup>2</sup> *Id.*

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relevant coal-generating plant. For any plants that were outside the target ranges, the Company and the Division discussed reasons for those inventory levels. The targeted fuel inventory levels and days' burn are based on recommended target levels that are taken from the 2025 Policies and Procedures Manual. The Policies and Procedures Manual reference ranges were determined by a third-party review.<sup>3</sup>

The Company also discussed a confidential coal supply situation that occurred in 2023 and into the early part of 2024. The details of this situation are considered highly confidential, and were discussed in the previous iteration of this memo.<sup>4</sup> The Division does not discuss the details of the situation in this 2025 Division Memo, in an effort to ensure that a highly confidential version is not required.

The Commission's Report and Order in Docket No. 09-035-23 states the following goals of the Company's coal inventory policy:

The policy should provide an overall management strategy, flexibility to react to favorable market conditions, documentation requirements for deviations from the policy with an assessment of the costs and benefits associated with deviations, and tracking and monitoring requirements. In response to this policy, the Division should, during the course of its annual auditing, review inventory levels and compliance with inventory policies.<sup>5</sup>

As part of its 2024 audit, the Division reviewed the documents listed at the beginning of this section and discussed the documents and the 2024 coal inventory year with the Company.

## **Discussion**

Every year, the Company presents the Division with a spreadsheet listing monthly coal inventory for coal generation plants in which the Company has an ownership stake (Summary Inventory Data). The Company has a target range for each plant; these target ranges are taken from the 2025 Manual. The 2025 Manual has ranges based on the Kaptur

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<sup>3</sup> These ranges were established by the consultant Casey Kaptur in a March 2021 study "Coal Inventory Study for Coal-Fired Power Plants in Wyoming and Utah" (Kaptur Study).

<sup>4</sup> *Division of Public Utilities' Audit of PacifiCorp's 2023 Fuel Inventory Policies and Practices*, Docket 24-035-13, Redacted Comments from the Division of Public Utilities at 7-8 (April 30, 2024) (the 2024 Division Memo).

<sup>5</sup> 2010 Order, p. 106.

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Study, with some modifications by the Company. The Company's coal inventories in 2023

[REDACTED]

[REDACTED]

[REDACTED]. Therefore, 2024 inventory levels [REDACTED]

[REDACTED]

[REDACTED]. However, the total inventory at the end of the year [REDACTED]. Due to the highly confidential situation mentioned above, the inventory at the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. This total includes the [REDACTED]

[REDACTED]

[REDACTED].

The inventories for the Bridger and Hayden plants were [REDACTED]

[REDACTED]. The Company discussed the reasons for the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. The Division is satisfied that the Company is [REDACTED]

[REDACTED].

The inventory at the Hayden plant was [REDACTED]

[REDACTED]. The

Company is a minority owner of Hayden units 1 and 2 output, and is not the operator of the plant. The Hayden plant faced highly confidential operational issues similar to the ones discussed above at the beginning of 2024. [REDACTED]

[REDACTED].

The inventories for Naughton and Craig plants were generally [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] for these two plants have been explained sufficiently and are reasonable.

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Overall, the Company has pursued a reasonable coal inventory strategy, and has plausible reasons for plants with inventories that deviated from the target ranges.

The Division notes that the Company had a third-party review of the coal inventory policy in 2009-2010, and another review occurred in 2015. In 2018, the 2015 study was revised and updated by a third party. In March 2021, another third party updated the study and the associated targets. By next year, it will have been five years since a third party updated the study. Therefore, for the calendar year 2025 (and the associated reports that the Company will provide in early 2026), the Division recommends a third party update the targets that are appropriate for the coal plants. The Division recommends that the review consider the following topics (in addition to the issues considered in previous reviews):

- Whether any onsite or off-site storage locations could be expanded, and whether any such expansion would be cost-beneficial;
- Whether the various force majeure incidents in the past few years, and the possibility of similar events in the future, impact the recommended ranges;
- Whether any changes in storage policy are appropriate given the highly confidential situation that occurred in 2023 and 2024 (mentioned above in the 2025 Division Memo); and
- Whether recent legislative changes in Utah affect the prioritization of coal supply and should affect inventory levels.

In addition, the Division recommends that the Company update the cost-benefit analysis discussed in the Company's highly confidential response to the Division's 1st Set of Data Requests to Rocky Mountain Power, In the Matter of Undocketed, March 18, 2024 (Section 2.3, related to [REDACTED]).<sup>6</sup> In light of the highly confidential situation that occurred in 2023, it is worth exploring updated costs and benefits of this option.

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<sup>6</sup> See "Attach DPU 1.6 HIGHLY CONF" (the Company's highly confidential response to the Division's 1st Set of Data Requests to Rocky Mountain Power, In the Matter of Undocketed, March 18, 2024). This analysis is mentioned in the highly confidential version of the 2024 Division Memo (p. 7-8). That analysis was apparently performed in 2012.

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## **Conclusion**

The Division discussed the coal inventory targets with the Company for the relevant coal plants. The Company's reasons for cases where specific inventories were above or below the targets led the Division to believe that the Company is managing the inventories appropriately and is generally in compliance with the 2010 Order. The Division recommends that the Company update its targets and policies, using a third-party review, and taking into account the topics mentioned above.