Idaho Public Utilities Commission
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Case No. PAC-E-14-10, Order No. 33221
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PacifiCorp plans to close Deer Creek Mine; asks commission for accounting treatment

BOISE (April 10, 2015) – The Idaho Public Utilities Commission is taking comment through April 24 on an application by PacifiCorp to recover Idaho's portion of costs related to its decision to close a Utah coal mine later this spring.

The Deer Creek Mine near Huntington, Utah, is operated by Energy West, a wholly-owned subsidiary of PacifiCorp. PacifiCorp operates as Rocky Mountain Power in eastern Idaho, Utah and Wyoming.

PacifiCorp seeks authority from the six states where it has customers served by the Huntington and Hunter coal plants to recover closure costs and the withdrawal liability from an employee pension trust and allocate assets it will earn from the sale. It also seeks recovery for fuel costs to supply the Huntington and Hunter plants with coal that had been provided by the Deer Creek mine.

The application does not immediately impact rates. Idaho constitutes about one-sixth of PacifiCorp's electric load and traditionally is allocated one-sixth of expense that is deemed prudent and benefits Idaho customers.

PacifiCorp bought the mine in 1977. It produces an average 3.5 million tons of coal annually. It had been the primary source of coal for the Huntington Power Plant in east-central Utah, which annually consumes about 2.9 million tons. It also supplied some coal to the Hunter Power Plant. The mine's depreciable life runs through 2019.

PacifiCorp claims that sharply increasing costs related to mining and pension liability make it no longer economical to operate the mine.

The mine's 182 employees are represented by the United Mine Workers of America. PacifiCorp claims that Energy West's health care costs and contributions to the pension trust are sharply increasing. Under the most recent labor settlement, Energy West was responsible for almost

100 percent of the health care costs, with employees paying a minimal co-payment and no premium cost-sharing. The deficit between the market value of the pension trust's assets and the present value of the vested benefits is about $5.5 billion, PacifiCorp claims. Withdrawing from the pension trust means Energy West will have to pay a withdrawal liability of about $126 million, an amount that will balloon if it continues to participate in the plan.

In addition to labor issues, PacifiCorp claims the mine, as it ages, is producing lower quality coal which, in turn, reduces the volume of coal produced. As Energy West sought to develop additional areas of the mine's reserves, it discovered significant volumes of high-ash, high-sulfur coal, meaning much of it had to be transferred to a preparation plant nearby to be blended with lower-ash coals to meet coal quality specifications. More coal is available on the market, making it less advantageous to own coal mining assets, PacifiCorp claims.

PacifiCorp will sell the mining assets to Kentucky-based Bowie Resource Partners, which currently trucks in coal to the Huntington plant from its mines in Utah's Carbon and Sevier counties.

The sale of the mining assets, PacifiCorp claims, results in a lower-cost option than continuing to invest in and operate the mine through depletion of reserves in 2019.

Comments are accepted via e-mail through April 24 by accessing the commission's Website at www.puc.idaho.gov and clicking on "Case Comment Form," under the "Consumers" heading. Fill in the case number (PAC-E-14-10) and enter your comments. Comments can also be mailed to P.O. Box 83720, Boise, ID 83720-0074 or faxed to (208) 334-3762.

The company's application, supporting testimony and other documents related to this case, are available on the commission's Website. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. PAC-E-14-10.