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SIERRA CLUB

13 May 2024

Submitted via email to secretary@puc.idaho.gov

Idaho Public Utilities Commission
1331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-24-14; Idaho Power Company's Application for an Order Authorizing Inclusion in the Bridger Balancing Account of all Non-Fuel Operations and Maintenance Expenses Associated with Plant Operations

Dear Commissioners Anderson, Hammond, and Lodge:

Thank you for the opportunity to provide these comments in Case No. IPC-E-24-14, wherein Idaho Power Company ("Idaho Power") requests permission to commingle non-fuel operations and maintenance expenses from the Jim Bridger gas and coal units in a single balancing account. For the reasons stated below, Sierra Club urges the Commission to deny this request and direct Idaho Power to maintain separate balancing accounts for costs associated with the Jim Bridger gas units and Jim Bridger coal units.

Sierra Club is a national environmental organization representing over 650,000 members across the country and over 2,500 members in Idaho. One of Sierra Club's top priorities is addressing the climate crisis through the rapid and equitable transition away from fossil fuels to clean energy. To that end, we have engaged in numerous utility regulatory proceedings across the country, including before this Commission, and that experience informs our comments here.

I. Background and Idaho Power's Request

The Jim Bridger plant, located in Point of Rocks, Wyoming, is jointly owned by PacifiCorp (2/3 owner) and Idaho Power (1/3 owner). The plant originally had four, coal-firing units; however, this year, units 1 and 2 have been undergoing conversion to gas. Units 3 and 4 are expected to remain coal-firing units at least until 2030, when Idaho Power's 2023 IRP forecasts converting those units to gas.[1] However, the future of units 3 and 4 is uncertain, as PacifiCorp's 2023 IRP Update forecasts installing carbon capture, utilization, and sequestration on the units and continuing to operate them on coal through 2039.[2]

As Idaho Power describes in its application, the Bridger balancing account, established in Case No. IPC-E-21-17, is meant to track "the incremental costs and benefits associated with Idaho Power ending its participation in coal-fired operations at Bridger."[3] Here, however, Idaho Power is requesting authorization to include in that same balancing account costs—specifically non-fuel operations and maintenance ("O&M") expenses—"associated with the gas-fired operations [at units 1 and 2] that will commence in 2024." Idaho Power acknowledges that the non-fuel O&M expenses for the gas units will be different from the non-fuel O&M expenses for the coal units, even if the total amounts ultimately are similar. Nevertheless, Idaho Power claims that because the Jim Bridger plant will continue to produce steam for electric generation, under the Code of Federal Regulations, the Company will be required to record all Bridger expenses in "steam production accounts" and "will be unable to differentiate non-fuel O&M expenses by unit."

II. Commingling Coal and Gas Expenses for the Jim Bridger Units is Inappropriate and Would Frustrate Future Prudency Reviews

With the conversion of units 1 and 2, Jim Bridger has, for all intents and purposes, been split into two separate plants: a two-unit gas plant and a two-unit coal plant. The coal units will have costs, operational profiles, and regulatory requirements that are separate and distinct from the gas units. For instance, the gas units are expected to operate as peaking resources, whereas the coal units are expected to operate more regularly. Additionally, Jim Bridger units 3 and 4 are subject to the newly finalized Clean Air Act 111(d) carbon dioxide regulations from the U.S. Environmental Protection Agency (as well as other recently finalized regulations), whereas the gas units are not. And, of course, the units operate on different fuel types that have very different associated costs, with coal supplied by the PacifiCorp-owned Bridger mine and gas supplied by the market subject to global price swings. Differences like these are meaningful, even if *total* costs are relatively similar. For instance, with stricter environmental regulations imposing more costs on operating the Jim Bridger coal units, it will be necessary to closely scrutinize whether continued investment in those units is in the best interest of ratepayers. Yet, by commingling costs associated with both the gas and coal units into a single balancing account, Idaho Power would make it impossible to distinguish between costs incurred on behalf of the coal units from

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[1] Idaho Power 2023 Integrated Resource Plan at 10 (Sept. 2023), *available at* https://docs.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2023/2023-irp-final.pdf.
[2] PacifiCorp 2023 Integrated Resource Plan Update at 14 (April 2024), *available at* https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2023_IRP_Update.pdf
[3] *In the Matter of Idaho Power Company's Application for Authority to Increase its Rates for Electric Service to Recover Costs Associated with the Jim Bridger Power Plant*, Case No. IPC-E-21-17, Order No. 35423, *available at* https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/IPC/IPCE2117/OrdNotc/20220601Final_Order_No_35423.pdf.

costs incurred on behalf of the gas units. This would frustrate a future prudency review, in which cost recovery will be dependent upon specific characteristics of the units.

Moreover, the Bridger balancing account was never intended to capture costs associated with Jim Bridger gas units. Instead, in Order No. 35423, the Commission accelerated the depreciation schedule for the Jim Bridger plant so that the plant would be fully depreciated and recovered by December 31, 2030 and simultaneously established a balancing account to track the costs associated with Idaho Power ending its participation in *coal-fired* operations at Jim Bridger. Order No. 35423 did not contemplate that Idaho Power would decide to not retire all four units at Jim Bridger and instead continue operating some of those units on gas.

Finally, while it is true that all four units at Jim Bridger will continue to produce steam for electricity generation, it is not accurate that all four units *must* be grouped as a single plant for accounting purposes. Idaho Power could separate costs for the gas units from the coal units, as would be appropriate given that these two groupings of units operate as separate generating resources. Indeed, utilities typically have separate accounts for each individual steam generation plant.

III. Conclusion

For the reasons stated above, Sierra Club recommends that the Commission deny Idaho Power's request and direct the Company to maintain accurate and separate accounting of costs and benefits associated with the Jim Bridger gas units and Jim Bridger coal units.

Respectfully submitted,

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