

Application No. 22-08-____
Exhibit No. PAC/300
Witness: James Owen

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

REDACTED

Direct Testimony of James Owen

Coal Supply Agreement Analysis

August 2022

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS1
II. PURPOSE AND SUMMARY OF TESTIMONY2
III. NEW COAL SUPPLY AGREEMENTS.....3
IV. HUNTER PLANT RETIREMENT DATE8

ATTACHED EXHIBITS

Highly Confidential Exhibit PAC/301 – Naughton Coal Supply Analysis

Highly Confidential Exhibit PAC/302 – Jim Bridger Coal Supply Analysis

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and present position with PacifiCorp**
3 **d/b/a Pacific Power (PacifiCorp or Company).**

4 A. My name is James Owen. My business address is 1407 West North Temple, Suite
5 210, Salt Lake City, Utah 84116. My title is Vice President of Environmental, Fuels,
6 and Mining.

7 **Q. Briefly describe your education and professional experience.**

8 A. I have a Bachelor of Science in Mining Engineering, a Master of Business
9 Administration, and a Juris Doctorate of Law, all from the University of Utah. I
10 joined the Utah Department of Natural Resources – Division of Oil Gas and Mining
11 in November 2008 and held positions of increasing responsibility within the agency,
12 including responsibilities for environmental permitting, enforcement of
13 environmental compliance, engineering design, oversight of mine reclamation
14 bonding, environmental program management, and legislative and policy
15 management. I joined PacifiCorp as Director of Environmental in February 2018.
16 I have assumed positions of increasing responsibility since that time and currently
17 serve as Vice President of Environmental, Fuels, and Mining. My current
18 responsibilities encompass strategic planning, stakeholder engagement, regulatory
19 support, support of major generation resource additions, direct oversight of fueling
20 strategy, management of mining operations, and direct oversight of major
21 environmental compliance projects.

22 **Q. Have you testified in previous regulatory proceedings?**

23 A. Yes. I have provided testimony on behalf of the Company in proceedings before the

1 Public Utilities Commission of the State of California (Commission) and the public
2 utility commissions of Oregon, Utah, Idaho, and Wyoming.

3 **II. PURPOSE AND SUMMARY OF TESTIMONY**

4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. When the Commission approved PacifiCorp’s 2021 Energy Cost Adjustment Clause
6 (ECAC), the Commission directed PacifiCorp to provide testimony with future
7 ECAC applications that addresses the prudence of new coal supply agreements
8 (CSAs) compared to alternative resources, taking into account system-wide reliability
9 and costs and without must-run constraints,¹ and also directed the Company to
10 “perform the necessary actions needed to create an action plan for establishing a
11 retirement date for the Hunter plant by 2045 or earlier in its next IRP.”²

12 In the Commission’s decision on PacifiCorp’s 2020 ECAC, the Commission
13 also directed PacifiCorp to “identify whether there are any environmental response
14 clauses in its long-term coal agreements that should be invoked, as well as the
15 associated ratepayer savings,” for future filings.³ This requirement was limited to
16 contracts “with terms of five years or longer.”⁴

17 My testimony discusses the prudence of two new CSAs for the Naughton and
18 Jim Bridger plants that the Company has entered into after the filing of the 2022
19 ECAC application in August 2021. Because these CSAs have terms that are less than
20 five years, I do not address whether environmental response clauses should be

¹ *In re PacifiCorp’s 2021 ECAC*, Decision (D.) 21-11-001, at 32 (Nov. 4, 2021).

² *Id.* at 21.

³ *In re PacifiCorp’s 2020 ECAC*, D.20-12-004, at 26 (Dec. 4, 2020).

⁴ *Id.* at 25.

1 invoked for either CSA. I also confirm that the Company has established a retirement
2 date for the Hunter plant that is earlier than 2045.

3 **III. NEW COAL SUPPLY AGREEMENTS**

4 **Q. Has PacifiCorp entered into any new CSAs since the record was submitted in the**
5 **2022 ECAC?**

6 A. Yes. PacifiCorp entered into a new CSA with Kemmerer Operations, LLC for the
7 Naughton plant (Naughton CSA) on December 29, 2021, and with Black Butte Coal
8 Company on June 17, 2022, to supply coal for the Jim Bridger plant (Black Butte
9 CSA). Consistent with the requirements of D.20-12-004, my testimony and the
10 corresponding exhibits provide additional information demonstrating the prudence of
11 the Naughton and Black Butte CSAs.

12 **Q. Can you provide some background on the Naughton plant and the Naughton**
13 **CSA?**

14 A. The Naughton plant (Naughton) is located in Kemmerer, Wyoming, and is wholly-
15 owned by PacifiCorp. PacifiCorp's prior agreement for Naughton's coal supply
16 terminated December 31, 2021. Naughton Units 1 and 2, rated at 156 and 201
17 megawatts (MW), respectively, operate on coal and Naughton Unit 3 operates on
18 natural gas. PacifiCorp's latest 2021 Integrated Resource Plan (IRP) identified
19 December 31, 2025, as the end of useful life for Units 1 and 2. Naughton Units 1 and
20 2 are also subject to environmental compliance obligations under the Environmental
21 Protection Agency's Coal Combustion Residuals rule that, if finalized, will not allow
22 Units 1 and 2 to operate on coal beyond December 31, 2025. PacifiCorp has
23 executed the Naughton CSA with the Kemmerer Mine, for the purchase of

1 Naughton’s coal supply through [Begin Confidential] [Redacted] [End Confidential].

2 **Q. What is the term of the Naughton CSA?**

3 A. The term of the Naughton CSA is [Begin Confidential] [Redacted]
4 [Redacted] [End Confidential]. This term is consistent with PacifiCorp’s
5 recent practice of limiting its CSAs to five years or less to maintain flexibility in fuel
6 supply and generation planning.

7 **Q. What are the terms for annual volume and pricing in the Naughton CSA?**

8 A. Annual volume and pricing are as follows:

[Begin Confidential]

Year	Minimum Tons	Maximum Tons	Price/Ton
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

[End Confidential]

9 **Q. Does the Naughton CSA include a minimum take requirement?**

10 A. Yes. Like the previous CSA, the Naughton CSA is a minimum-take requirements
11 agreement. PacifiCorp would not have been able to secure the necessary coal supply
12 at a favorable contract price without agreeing to a minimum take obligation.

13 However, PacifiCorp was able to establish significantly lower contract minimums for
14 the Naughton CSA, [Begin Confidential] [Redacted]
15 [Redacted] [End Confidential].

16 **Q. Why are “minimum take” provisions generally required in CSAs?**

17 A. Without some form of commitment by customers to purchase a minimum amount of
18 coal, a coal supplier, especially those that are captive in whole or in part to coal-fired
19 power plants, cannot develop adequate mine permits and plans, project for capital and

1 operating costs, or have an assured revenue stream for the coal they produce. In
2 short, coal mines cannot operate without the ability to earn sufficient revenue to cover
3 their fixed costs. Without a minimum take provision, the CSA would merely be an
4 option for the customer to purchase coal if desired, while paying no cost for this
5 option. Coal and coal mining assets remain marketable commodities. No coal
6 producer could be reasonably expected to agree to an option-only contract as it would
7 require a large investment of capital for coal reserves, mine development, and mining
8 equipment, along with ongoing operating costs, with no assurance that any coal
9 would be purchased to offset those costs, nor adequate cash-flow to support current
10 capital outlays. Further, coal suppliers (and similarly coal transporters) require a
11 commitment to purchase at a regular rate (“ratable take”) to employ and maintain a
12 workforce able to meet the customer’s requirements. Coal mining operations cannot
13 simply be turned on or off when convenient for the customer. As a result, while some
14 CSAs may provide flexibility for the customer to vary its purchase volumes, it is an
15 almost universal contracting reality that CSAs have minimum volume commitments
16 for customers to purchase coal.

17 **Q. Has PacifiCorp conducted an analysis to determine the prudence of signing the**
18 **Naughton CSA?**

19 A. Yes. Please refer to Highly Confidential Exhibit PAC/301 which contains an
20 overview and background of the Naughton CSA and the economic analysis
21 supporting the Naughton CSA. This exhibit describes in detail the Naughton CSA
22 and the economic analysis that PacifiCorp conducted, which demonstrates the
23 prudence of PacifiCorp’s execution of the Naughton CSA. This exhibit also

1 demonstrates how PacifiCorp incorporated IRP-type planning and modeling into the
2 decision process to further justify the prudence of the Naughton CSA.

3 **Q. Please provide some background on the Jim Bridger plant and its planned**
4 **future operations.**

5 A. The Jim Bridger plant is a coal-fired plant located in Sweetwater County, Wyoming.
6 The facility is located approximately eight miles north of Point of Rocks, Wyoming,
7 and approximately 24 miles east of Rock Springs, Wyoming. The Jim Bridger plant
8 is the largest power plant on the PacifiCorp system (2,120 MW) and is jointly owned
9 by PacifiCorp (66.7 percent) and Idaho Power Company (Idaho Power) (33.3
10 percent). The Jim Bridger plant consists of four almost identical units, each with a
11 nominal 530 net MW capacity. Consistent with the findings of the 2021 IRP, as well
12 as environmental compliance requirements, Jim Bridger Units 1 and 2 will stop
13 consuming coal by December 31, 2023, and will be converted to natural gas-fired
14 operations in 2024. Jim Bridger Units 3 and 4 will continue to operate on coal until
15 December 31, 2037.

16 **Q. What is the term of the Black Butte CSA?**

17 A. The term of the Black Butte CSA is **[Begin Confidential]** [REDACTED]
18 [REDACTED] **[End Confidential]**. This term is consistent with PacifiCorp's
19 current practice of limiting its CSAs to five years or less. This is a sound business
20 practice that allows PacifiCorp the ability to maintain flexibility in fuel supply and
21 generation planning.

22 **Q. What are the terms for annual volume and pricing in the Black Butte CSA?**

23 A. Annual volume and pricing are as follows:

[Begin Confidential]

Year	Minimum Tons	Maximum Tons	Tier 1 Price/Ton	Tier 2 Price/Ton
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[End Confidential]

1 **Q. Does the Black Butte CSA include a minimum take requirement?**

2 A. Yes. Like the previous Black Butte CSA, and nearly all prior CSAs that the
 3 Company has signed for other coal-powered plants, the Black Butte CSA is a
 4 minimum take agreement. PacifiCorp would not have been able to secure the
 5 necessary coal supply at a favorable contract price without agreeing to a minimum
 6 take obligation as part of the Black Butte CSA. The minimum annual volume for

7 [Begin Confidential] [REDACTED]

8 [REDACTED]

9 [REDACTED] [End Confidential].

10 **Q. Has PacifiCorp conducted an analysis to determine the prudence of signing the**
 11 **Black Butte CSA?**

12 A. Yes. Please refer to Highly Confidential Exhibit PAC/302 which contains an
 13 overview and background of the Black Butte CSA and the economic analysis
 14 supporting the Black Butte CSA. This exhibit describes in detail the Black Butte
 15 CSA and PacifiCorp’s economic analysis and demonstrates the prudence of
 16 PacifiCorp’s execution of the Black Butte CSA. This exhibit also demonstrates how
 17 PacifiCorp incorporated IRP-type planning and modeling into the decision process to
 18 further justify the prudence of the Black Butte CSA.

1

IV. HUNTER PLANT RETIREMENT DATE

2 **Q. Has a retirement date been established for the Hunter plant by or before 2045?**

3 A. Yes. PacifiCorp's 2021 IRP established 2042 as the retirement date for the Hunter
4 plant.⁵

5 **Q. Does this conclude your direct testimony?**

6 A. Yes.

⁵ *In re PacifiCorp's 2021 IRP*, Chapter 6 – Load and Resource Balance, Table 6.2, 136 (indicating 2042 as the current retirement year for Hunter Units 1–3).

Application No. 22-08-____
Exhibit No. PAC/301
Witness: James Owen

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

REDACTED

Exhibit Accompanying Direct Testimony of

James Owen

Naughton Coal Supply Analysis

August 2022

EXHIBIT PAC/301 IS HIGHLY CONFIDENTIAL IN ITS ENTIRETY
AND HAS BEEN SUBMITTED UNDER SEAL.

Application No. 22-08-____
Exhibit No. PAC/302
Witness: James Owen

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

REDACTED

Exhibit Accompanying Direct Testimony of

James Owen

Jim Bridger Coal Supply Analysis

August 2022

EXHIBIT PAC/302 IS HIGHLY CONFIDENTIAL IN ITS ENTIRETY
AND HAS BEEN SUBMITTED UNDER SEAL.