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OCA SUPPORTS COAL PLANT INVESTMENT

CHEYENNE, WY – The Wyoming Office of Consumer Advocate (OCA) filed testimony today supporting the need for additional investment in the Naughton Unit 3 coal fired generation plant located near Kemmerer, Wyoming, which is owned by Rocky Mountain Power (RMP). In September of last year RMP filed its application seeking approval of the Wyoming Public Service Commission (PSC or Commission) to install various pollution control upgrades at the Naughton plant stating that the upgrades are required to continue running the plant beyond the end of 2014. Without the upgrades the Naughton plant will not comply with various existing and expected rules adopted by the U.S. Environmental Protection Agency (EPA), including the Regional Haze Rule, and RMP would be forced to shut the plant down.

“In view of the current state of the economy, accepting these investments knowing that they will increase customer rates, is not the least bit appealing, said Bryce Freeman, Administrator of the OCA. “However, after an exhaustive review of RMP’s plans, and evaluation of alternatives, we have concluded that it will be less expensive to upgrade the Naughton plant than to retire it and replace it with some other generation resource,” he added. If the PSC approves the application, construction on the environmental equipment would begin immediately and would be completed in time to meet the 2014 deadline. After the upgrades are complete RMP plans to run the plant through 2029.

“We don’t believe that RMP has any choice but to invest in these upgrades to comply with the environmental rules and keep the plant running,” Freeman said. During the environmental permitting process RMP proposed lower cost compliance alternatives but none of those were accepted by the Wyoming Department of Environmental Quality (WDEQ). WDEQ is responsible for implementing the Regional Haze rule adopted by the EPA. WDEQ sets emissions limits under strict guidelines issued by the EPA.

In December of last year the EPA issued its Mercury and Air Toxics Standards (MATS) which are intended to substantially reduce the emission of mercury and other hazardous emissions from coal fired power plants nationwide. The MATS rule will impose additional compliance costs on the Naughton plant as well as other plants in RMP’s coal fired generation fleet. Potential EPA regulations related to water intake and discharge limits and the disposal and storage of coal ash, if adopted, will further increase the investment necessary to keep these plants running.

“We have accounted for all of these additional costs that are expected as a result of the pending and potential EPA rules, and upgrading the Naughton plant still appears to be the lowest cost, least risky alternative over the long run,” Freeman stated. “However, if RMP chooses to retire the plant prior to the end of its useful life in 2029, we will certainly want to have the opportunity to contest the recovery of any remaining undepreciated investment in these upgrades,” he added.

RMP also is planning environmental upgrades at most of its other coal fired plants to comply with pending and expected EPA rules. “We expect additional customer rate impacts as the upgrades are made, but in some cases, for the oldest and least efficient plants on the system, it may be cheaper to retire the plant and replace it with a new generation resource.” “We’ll have to evaluate those investments on a case by case basis,” Freeman said.

The Office of Consumer Advocate is statutorily authorized to appear before the Wyoming Public Service Commission and advocate for the interests of utility ratepayers and citizens of the state in proceedings involving public utilities. By statute the OCA will sunset on July 1, 2013 without further legislative action. Rocky Mountain Power, Wyoming’s largest retail electric company, is regulated by the Wyoming Public Service Commission and provides electric service to customers in Buffalo, Casper, Lander, Riverton, Laramie, Rawlins, Rock Springs, Green River, and Evanston, as well as other towns and surrounding areas throughout central and western Wyoming.