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PacifiCorp study puts heat on utility's coal plants

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PacifiCorp's embattled coal-fired generating units are looking more vulnerable than ever.

An analysis shared with stakeholders this week shows the utility could save hundreds of millions of dollars by shutting down several units earlier than planned.

The Sierra Club, long at war with the Portland-based utility over coal, said the analysis is in line with a study it commissioned earlier this year. And PacifiCorp acknowledged that the new analysis "reflects ongoing cost pressures on coal generation driven by market forces and regulatory considerations."

Climate activists are targeting coal around the world because it's a leading source of heat-trapping gases. But with the cost of renewable energy falling and technologies for integrating it into the grid advancing, the bottom line has become an equally powerful argument against the fuel that provides about 60 percent of PacifiCorp's energy.

"How rare it is that the two concerns, environment and economics, are in alignment, but they are," said **Robert McCullough**, an independent energy analyst.

It could be a wrenching transition for Berkshire Hathaway owned PacifiCorp.

At stake are generating units that are in its rate base, providing a steady, healthy return. As a regulated utility operating in six states, early retirements would set up long and likely torturous processes to determine how it might recoup sunk costs.

"It's not at all clear PacifiCorp would get full recovery," McCullough said.

For now, it's also not clear what coal units, if any, PacifiCorp and its regulators will be comfortable shuttering ahead of schedule. Keeping the lights on requires a complex puzzle of pieces and the company said it needs to do further work in understanding what it would mean to pull out varying combinations of coal units.

"The study does not ... reflect a final analysis of all factors that will determine actual resource decisions, including system reliability and resource adequacy requirements," PacifiCorp said in a statement.

That analysis is expected to come in the company's 2019 integrated resource plan, due in April next year.

But Oregon regulators have vowed to take a close look at early retirements "as a resource strategy" in PacifiCorp's upcoming planning process. And the tide against coal is only growing, McCullough said, with renewables and natural gas ever cheaper, batteries coming down in cost and plenty of generating capacity available in the Pacific Northwest.

PacifiCorp's own analysis showed 13 units at six plants in three states — Montana, Colorado and Wyoming — were more expensive to operate than replacement options.

The study further looked at the cost or benefit of closing various combinations of units in 2022. As the Sierra Club highlighted, the highest payoff was from closing five units — Naughton 1 & 2 and Jim Bridger 1 in Wyoming, and

Craig 2 and Hayden 1 in Colorado — yielding a savings of $317 million. Those units are currently slated to be closed between 2029 to 2037.

PacifiCorp noted there would be local impacts from any early closures.

“These and other important considerations not included in this analysis must be studied before future resource decisions are made,” the company said.

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