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FEATURED

Some in Wyoming want to force utilities to sell coal plants instead of closing them

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Linemen from Rocky Mountain Power install a new utility pole in April 2017 on East Yellowstone Highway in Casper. A new bill could force utilities to sell their coal plants instead of closing them.

Alan Rogers, Star-Tribune

The trend of retiring coal plants has unsettled Wyoming — the largest provider of coal in the country — and now a handful of lawmakers are trying to stabilize one small corner of that industry by pressuring Wyoming utilities that may want out of the coal business.

Senate File 159 would require utilities to search for buyers before retiring a coal-fired plant. Failing to do so would result in the state restricting a utility's ability to make a financial return on whatever it replaces the coal plant with, such as a wind farm or natural gas plant, the bill states.

Sen. Eli Bebout, R-Riverton, didn't name names, but said the bill was inspired by a Wyoming utility that appears uncertain about keeping Wyoming coal plants burning.

"We have concerns about that, the impact to Wyoming, the jobs, all of those things that are huge and very critical," he said.

The utility is Rocky Mountain Power, and it's in a bind in regard to its coal fleet. It gets 60 percent of its power from coal, but its new investments, like billions spent on new wind in Wyoming, are not focused on coal. As the company takes a closer look at the economics of its coal fleet this year, some wonder if Rocky Mountain Power's shift away from the rock is coming sooner than expected.

That's what caught Bebout and other lawmakers' attention. The bill would shift the needle back, if not for Rocky Mountain Power, for coal plants that are often key employment drivers in small Wyoming towns.

"It's a good idea," Bebout said of trying to sell plants to a third party instead of letting utilities close them.

The bill's other sponsors are Sens. Dan Dockstader, R-Afton, and Ogden Driskill, R-Devils Tower. Dockstader's county is currently facing the uncertainty of the Westmoreland Coal Company bankruptcy and lingering doubts about the economics of a nearby coal power plant owned by Rocky Mountain Power. He did not respond to an email requesting comment.

To keep coal burning

SF 159 questions some foundational principles about how regulated utilities operate. A company like Rocky Mountain Power is limited in how it can make its profit. It makes money from a return on its investments — its assets like power plants or new wind farms — by slowly billing customers for the cost of building new infrastructure to serve its customers.

Chris Petrie, attorney for the Wyoming Public Service Commission, said staff is still looking at the bill as proposed.

The commission is tasked with deciding what are just and reasonable rates, in accordance with case law determining the scope of company rights to collect that return. The commission is also tasked with carrying out state policy that comes from lawmakers.

“This is a fairly important concept being expressed here, and we’re certainly reviewing it,” Petrie said. “But we have not reached a point where we are taking a position on this. It’s very new.”

When asked if Wyoming had the authority to enact this legislation, Bebout said the legislature has the right to discuss and enact policy. There will be valid concerns raised by different people involved, he said.

“At the end of the day, if we can find something to keep Wyoming coal plants going, that burn Wyoming coal and employ Wyoming people, it’s a great idea all the way around,” he said.

Coal questions

Natural gas is the main reason that coal is suffering today, experts agree. But renewables are increasingly stealing a share of the power pie in the country. Rocky Mountain Power is indicative of this. The company last spent money expanding its power fleet ahead of the recession. It built new gas plants and new wind. More recently, the company began rapidly expanding its wind footprint in Wyoming with two new wind farms, new transmission and a repowering effort — replacing existing wind infrastructure with larger blades and upgraded nacelles. The utility is under pressure to get this done by 2020 to keep federal tax credits that are sunseting.

But while Rocky Mountain Power digs in on Wyoming wind, it's less certain about coal. The utility has recently admitted that some of its 22 coal-fired units may be more expensive to run than to replace. The company's Jim Bridger plant in Wyoming — fed by a company-owned coal plant nearby — provides some of the most expensive power in the company fleet, according to a company study last year.

The firm — a subsidiary of PacifiCorp — has maintained for some time that the coal plants in Wyoming and other states serve an important role in reliability across the entire PacifiCorp system. But it's unclear if that stance will change. This week, Rocky Mountain Power announced that its annual plan would be delayed from March to August as it digs into its coal questions.

In any case, the utility and Wyoming are in a tight spot. Oregon is paying out of its responsibility in the existing coal fleet. Other states served by PacifiCorp have signaled their desire to do the same, leaving states like Wyoming potentially holding the bag to keep coal burning in the Rocky Mountain Power system — according to utility officials who presented this information to Wyoming lawmakers in May.

Coal's value

National attempts to save coal have been hit-and-miss in the last few years since a coal-friendly administration entered the White House.

Deregulation, such as the Clean Power Plan repeal, has alleviated some worries in the coal sector. However, the economics have not changed for coal.

The Energy Information Administration released its Annual Energy Outlook last week, forecasting that coal could make up just 17 percent of the country's energy mix by 2050, given a flat regulatory and economic background. Meanwhile, the Department of Energy announced it would grant millions in funding for research and development into technology to save the current coal fleet from further erosion.

SF 159 does not answer the bigger questions about a changing energy landscape right now. It may serve its purpose, however, said Bryce Freeman, administrator of the Office of Consumer Advocate.

Freeman said it doesn't look like the measure would be detrimental to customers, which is what his office looks out for. Presuming there are buyers for coal plants, which remains to be seen, it could be good for customer rates, Freeman said.

“The biggest problem with some of the plants we've got is if they retire before the end of their useful lives then there is going to be some investment associated with those plants that is yet to be recovered,” he

said.

A sale could, potentially, alleviate that cost on the utilities customers, he said.

Others see the bill differently, arguing that its intent is not just to find buyers but to dissuade companies from retiring coal plants early. In turn, that places the cost of keeping a coal plant on customer shoulders.

Connie Wilbert, director of the Wyoming Sierra Club chapter, said the measure is misguided. Wyoming will lose out with this attitude while customers in places across PacifiCorp's system reap the benefit of cheaper power sources, she said.

Sierra Club spent much of last year pressing PacifiCorp to publish its coal economics, believing that the company is effectively subsidizing those coal plants when cheaper options are available. It commissioned a study that confirmed there were cheaper options than many of the company's coal units, which PacifiCorp criticized as being narrow in perspective and scope.

Wilbert said that though Wyoming depends on the coal industry and local communities do as well, coal is rapidly being replaced.

"I think we have to figure out how to help communities and work through this," she said. "The reality is that we can't turn back the clock. This is something that is happening. It is bigger than Wyoming."

For Freeman, the big question in the background of these energy debates across the West isn't about the economics of coal versus other energy sources but a comparison of values. What no one really knows yet is how to operate without coal on the grid. That's what Rocky Mountain Power is looking into now, he said.

"There is some value to these large coal plants associated with keeping the lights on," he said.

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