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Jim Ruby, Executive Secretary
Environmental Quality Council

BART APPEAL SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (the "DEQ/AQD") and PacifiCorp Energy, a division of PacifiCorp ("PacifiCorp"), enter into this BART Appeal Settlement Agreement (the "Settlement Agreement") to fully and finally resolve PacifiCorp's appeal before the Wyoming Environmental Quality Council (the "EQC") in Docket No. 10-2801 wherein PacifiCorp challenged certain conditions of BART permit Nos. MD-6040 and MD-6042 for the Jim Bridger and Naughton power plants. The DEQ/AQD and PacifiCorp are collectively referred to herein as the "Parties" and sometimes individually as "Party." The Settlement Agreement shall be effective between the Parties on the date that the last signature is affixed below (the "Effective Date"), conditioned on approval by the EQC as described herein.

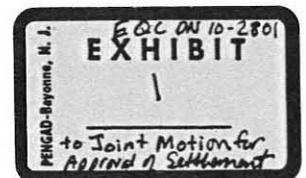
Wyo. Stat. 16-3-107(n) and Chapter 1, § 11 of the DEQ's Rules of Practice & Procedure provide for the disposition of this contested case by stipulation of the Parties upon approval by the EQC. Additionally, Wyo. Stat § 35-11-112 empowers the EQC to order the modification of BART Permit Nos. MD-6040 and MD-6042 to resolve this contested case. To that end, PacifiCorp and the DEQ/AQD, conditioned on the approval of the EQC, hereby stipulate and agree as follows.

1. **Background:** As part of its obligation under the Clean Air Act's Regional Haze Program, the State of Wyoming, through the DEQ/AQD, promulgated regulations requiring the installation of Best Available Retrofit Technology ("BART") on certain eligible facilities. PacifiCorp timely complied with these regulations by filing applications for BART permits for its eligible facilities, including an application for its Bridger power plant on January 16, 2007, and its Naughton power plant on February 12, 2007. PacifiCorp further filed additional information with the DEQ/AQD relating to these applications. Following public notice and comment, and public hearings, the DEQ/AQD issued BART permit Nos. MD-6040 for the Bridger power plant and MD-6042 for the Naughton power plant on December 31, 2009. On February 26, 2010, PacifiCorp timely filed an appeal to the EQC of certain provisions in BART permit Nos. MD-6040 and MD-6042. Litigation ensued, including discovery and motion practice. This Settlement Agreement resolves all issues raised in that litigation. Also, in connection with this Settlement Agreement, PacifiCorp has provided to DEQ/AQD the information attached as Exhibit A which the parties intend to be used in the Wyoming Regional Haze SIP as that term is described below.

2. **Definitions:** As used in this Agreement, the following terms are defined as:

"BART Permit Appeal" means: PacifiCorp's Appeal and Petition for Review of BART Permits regarding the Bridger BART Permit and the Naughton BART Permit, referred to as Docket No. 10-2801, before the EQC.

"BART Appeals Arguments" means: The arguments raised by PacifiCorp in the BART Permit Appeal, including its Motion for Partial Summary Judgment and



supporting Memorandum, filed June 30, 2010, and its Reply in Support of Its Motion for Partial Summary Judgment, filed August 31, 2010.

“Naughton BART Permit” means: BART permit No. MD-6042 as issued by the DEQ/AQD on December 31, 2009.

“Bridger BART Permit” means: BART permit No. MD-6040 as issued by the DEQ/AQD on December 31, 2009.

“Wyoming Regional Haze SIP” means: the final version of the Wyoming State Implementation Plan regarding “regional haze” and addressing regional haze requirements for Wyoming mandatory Class 1 areas under 40 CFR §51.309(g) as prepared by the DEQ/AQD and submitted to EPA for review and approval. As of the date of this Settlement Agreement, the DEQ/AQD has not completed the final version of the Wyoming Regional Haze SIP and instead has prepared a draft of that document dated August 25, 2009, which DEQ/AQD released previously for public comment. Based in part on those comments, DEQ/AQD intends to release an updated version of the draft Wyoming Regional Haze SIP for additional public comment before the end of 2010.

3. **Agreement:** The Parties have engaged in negotiations to reach a settled resolution to this contested case. The Parties have agreed, upon the terms contained herein, to settle and compromise PacifiCorp’s BART Permit Appeal, including the BART Appeals Arguments.
4. **Performance by PacifiCorp:** In reliance upon the releases, agreements, and representations of the DEQ/AQD in this Settlement Agreement, and conditioned upon the EQC’s approval of this Settlement Agreement and its terms, PacifiCorp shall do the following:
 - (a) Naughton - PacifiCorp shall withdraw its BART Appeals Arguments regarding the Naughton power plant, dismiss its BART Permit Appeal as it relates to the Naughton power plant, and agree to abide by the terms of the Naughton BART Permit;
 - (b) Bridger - PacifiCorp shall withdraw its BART Appeals Arguments regarding the Bridger power plant, dismiss its BART Permit Appeal as it relates to the Bridger power plant, and agree to abide the terms of the Bridger BART Permit as modified by the EQC in accordance with this Settlement Agreement, including the removal of Conditions 17 and 18;
 - (c) NOx Control for Bridger Units 3 and 4 - With respect to Bridger Units 3 and 4, PacifiCorp shall: (i) install SCR; (ii) install alternative add-on NOx control systems; or (iii) otherwise reduce NOx emissions to achieve a 0.07 lb/mmBtu 30-day rolling average NOx emissions rate. These installations shall occur, and/or this emission rate will be achieved, on Unit 3 prior to

December 31, 2015 and Unit 4 prior to December 31, 2016. These installations shall occur, and/or this emission rate will be achieved, in conjunction with PacifiCorp's planned overhaul schedule for these units and pursuant to a construction or other permit application to be submitted by PacifiCorp to AQD no later than December 31, 2012; and

- (d) NOx Control for Bridger Units 1 and 2 -- With respect to Bridger Units 1 and 2, PacifiCorp shall: (i) install SCR; (ii) install alternative add-on NOx control systems; or (iii) otherwise reduce NOx emissions not to exceed a 0.07 lb/mmBtu 30-day rolling average NOx emissions rate. These installations shall occur, and/or this emission rate will be achieved, on Unit 2 prior to December 31, 2021 and Unit 1 prior to December 31, 2022. These installations shall occur, and/or this emission rate will be achieved, in conjunction with PacifiCorp's planned overhaul schedule for these units and pursuant to a construction or other permit application to be submitted by PacifiCorp to AQD no later than December 31, 2017.

5. **Performance by the DEQ/AQD:** In reliance upon the releases, agreements and representations of PacifiCorp in this Settlement Agreement, and conditioned upon the EQC's approval of this Settlement Agreement and its terms, the DEQ/AQD shall do the following:

- (a) Naughton – The DEQ/AQD shall, pursuant to an order by the EQC approving this Settlement Agreement, include in the Wyoming Regional Haze SIP a statement explaining that the cost of the Naughton Unit 3 baghouse is reasonable when considering all factors relating to the existing PM controls in addition to those considered during the BART analysis.
- (b) Bridger – The DEQ/AQD shall, pursuant to an order by the EQC approving this Settlement Agreement, delete Conditions 17 and 18 from the Bridger BART Permit and, in lieu of Conditions 17 and 18, adopt the requirements of paragraphs 4(c) and 4(d) of this Settlement Agreement into the Wyoming Regional Haze SIP as part of Wyoming's Long-Term Strategy and/or Reasonable Progress Goals; and
- (c) PacifiCorp's Compliance with BART and LTS Requirements - The DEQ/AQD shall not require further PM or NOx reductions at Naughton Unit 3, or require further NOx reductions at Bridger Units 1 – 4, for purposes of meeting BART, Long-Term Strategy requirements and/or Reasonable Progress Goals in the Wyoming Regional Haze SIP through 2023.

6. **Conditions of Settlement:** The Parties' duties, rights and obligations of this Settlement Agreement are conditioned upon, and the Parties shall in good faith cooperate to achieve, the following:

- (a) The EQC and any other required Wyoming governing authority must approve this Settlement Agreement and its terms;
- (b) PacifiCorp and the DEQ/AQD must file a joint stipulated motion with the EQC requesting dismissal of PacifiCorp's BART Permit Appeal, and the EQC must dismiss the BART Permit Appeal on approval of the terms contained herein subject only to EQC's continuing jurisdiction as described in Section 7 below;
- (c) The EQC must order the Bridger BART Permit be modified as required herein; and
- (d) EPA must approve those portions of the Wyoming Regional Haze SIP that are consistent with the terms of this Settlement Agreement. Provided, however, that unless EPA affirmatively disapproves such portions of the Wyoming Regional Haze SIP in a final rulemaking, the parties shall continue to abide by the terms of this Settlement Agreement.

7. **Changed Circumstances:** The Parties agree that this Settlement Agreement may be subject to modification if future changes in either: (i) federal or state requirements or (ii) technology would materially alter the emissions controls and rates that otherwise are required hereunder. In that case, either Party may request that the other Party enter into an amendment to this Settlement Agreement consistent with such changes. The Parties shall negotiate in good faith to amend the affected Settlement Agreement provision(s) consistent with the changed federal or state requirements or technology and with the purposes of this Settlement Agreement. If the Parties cannot agree on the proposed amendment, then either Party may request the EQC to determine if the proposed amendment is consistent with the changed federal or state requirements or technology and with the purposes of this Settlement Agreement. In that case, the Parties anticipate that the EQC determination will be incorporated into an EQC order that requires the Parties to proceed in accordance with its terms, including the possibility of entering into the proposed amendment. The Parties further anticipate that the EQC will retain continuing jurisdiction over the BART Permit Appeal and this Settlement Agreement for the foregoing purposes only.
8. **Reservation of Rights:** PacifiCorp reserves the right to appeal or challenge any actions by AQD, EQC or EPA that are inconsistent with this Settlement Agreement. In addition, if the EQC takes any action which is materially inconsistent with or in any way materially alters this Settlement Agreement, then this Settlement Agreement shall be voidable at the option of the Party materially affected by the EQC's actions.
9. This Settlement Agreement shall be admissible by either Party without objection by the other Party in any subsequent action between these Parties to enforce the terms hereof or as otherwise required herein.

10. Neither Party shall have any claim against the other for attorney fees or other costs incurred with the issues resolved. Each Party shall bear its own attorney fees and costs, if any, incurred in connection with the BART Permit Appeal and this Settlement Agreement. Each Party assumes the risk of any liability arising from its own conduct. Neither Party agrees to insure, defend or indemnify the other.
11. This Settlement Agreement is binding upon PacifiCorp, its successors and assigns, and upon the DEQ/AQD.
12. This Settlement Agreement may only be amended in writing, signed by both Parties.
13. Neither the DEQ/AQD nor the State of Wyoming nor any of its Agencies shall be held as a party to any contracts or agreements entered into by PacifiCorp to implement any condition of this Agreement.
14. Nothing in this Agreement relieves PacifiCorp of its duty to comply with all applicable requirements under the Wyoming Environmental Quality Act (WEQA), and rules, regulations, and standards adopted or permits issued thereunder. DEQ/AQD does not warrant or aver that PacifiCorp's completion of any aspect of this Agreement will result in compliance with the WEQA and rules, regulations and standards adopted or permits issued thereunder.
15. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Settlement Agreement, and specifically retain all immunity and all defenses to them as sovereigns pursuant to Wyo. Stat. §1-39-104(a) and all other state law.
16. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only among the Parties to this Agreement.
17. Should any portion of this Agreement be judicially determined to be illegal or unenforceable, the remainder of this Agreement shall continue in full force and effect, and either Party may renegotiate the terms affected by the severance.
18. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.
19. This Agreement may be executed in any number of separate counterparts any one of which need not contain the signatures of more than one Party but all of such

counterparts together will constitute one Agreement. The separate counterparts may contain original, photocopy, or facsimile transmissions of signatures.

- 20. The persons signing this Settlement Agreement certify that they are duly authorized to bind their respective Party to this Settlement Agreement.
- 21. This agreement is not binding between the Parties until fully executed by each Party.

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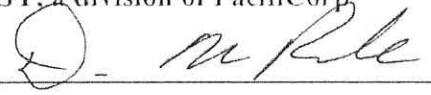
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PACIFICORP ENERGY, a division of PacifiCorp

By:



copy

Name:

DANA RALSTON

Title:

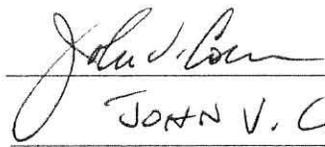
VICE PRESIDENT GENERATION

Date:

11-2-2010

THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY

By:



Name:

JOHN V. CORRA

Title:

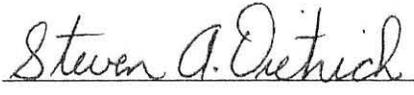
Director

Date:

11/3/10

THE WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY/DIVISION OF AIR QUALITY

By:



Name:

STEVEN A. DIETRICH

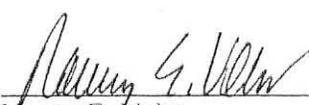
Title:

AQO - ADMINISTRATOR

Date:

11-3-10

Approved As To Form



Nancy E. Vehr,
Senior Assistant Attorney General

November 2, 2010

Exhibit A

PacifiCorp's Emissions Reductions Plan

In connection with its Best Available Retrofit Technology ("BART") determinations and its other regional haze planning activities, the Wyoming Department of Environmental Quality, Air Quality Division ("AQD") asked PacifiCorp to provide additional information about its overall emission reduction plans through 2023. The purpose is to more fully address the costs of compliance on both a unit and system-wide basis. PacifiCorp is committed to reduce emissions in a reasonable, systematic, economically sustainable and environmentally sound manner while meeting applicable legal requirements. These legal requirements include complying with the regional haze rules which encompass a national goal to achieve natural visibility conditions in Class 1 areas by 2064

Summary

PacifiCorp owns and operates 19 coal-fueled generating units in Utah and Wyoming, and owns 100% of Cholla Unit 4, which is a coal-fueled generating unit located in Arizona. PacifiCorp is in the process of implementing an emission reduction program that has reduced, and will continue to significantly reduce emissions at its existing coal-fueled generation units over the next several years. From 2005 through 2010 PacifiCorp has spent more than \$1.2 billion in capital dollars. It is anticipated that the total costs for all projects that have been committed to will exceed \$2.7 billion by the end of 2022. The total costs (which include capital, O&M and other costs) that will have been incurred by customers to pay for these pollution control projects during the period 2005 through 2023, are expected to exceed \$4.2 billion, and by 2023 the annual costs to customers for these projects will have reached \$360 million per year.

Environmental benefits, including visibility improvements will flow from these planned emission reductions. PacifiCorp believes that the emission reduction projects and their timing appropriately balance the need for emission reductions over time with the cost and other concerns of our customers, our state utility regulatory commissions, and other stakeholders. PacifiCorp believes this plan is complementary to and consistent with the state's BART and regional haze planning requirements, and that it is a reasonable approach to achieving emission reductions in Wyoming and other states.

PacifiCorp's Long-Term Emission Reduction Commitment

Table 1 below identifies the emission reduction projects and related construction schedules as currently included in PacifiCorp's reduction plan.

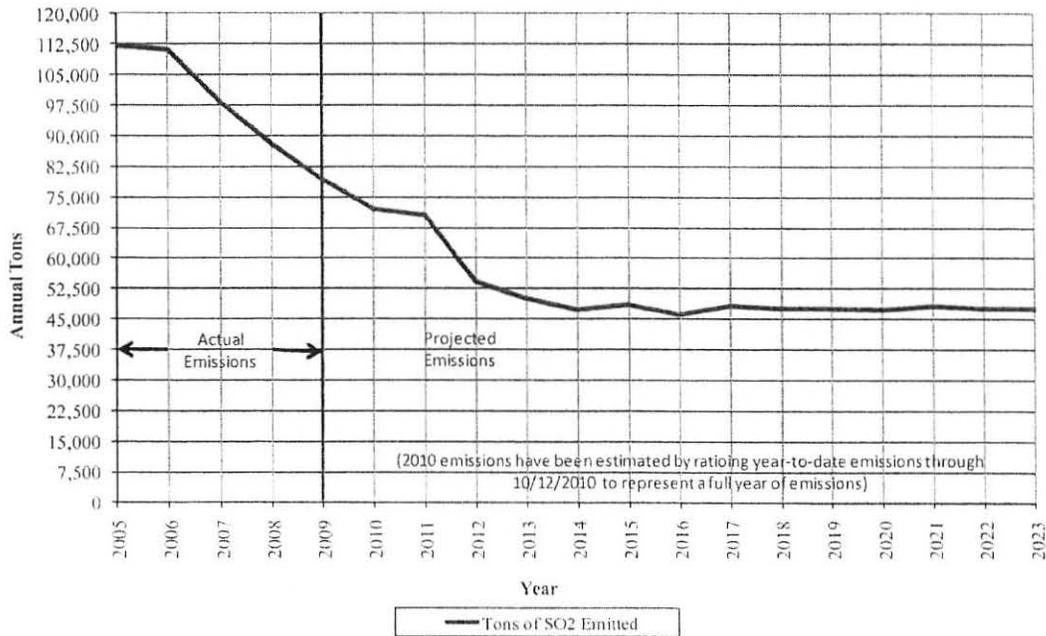
Table 1: Long-Term Reduction Plan

Plant Name	SO2 Scrubbers Installation - I Upgrades - U	Low NOx Burner Installations	Baghouse Installations	Status of SO2 / LNB / Baghouse Permitting	Selective Catalytic Reduction
Hunter 1	2014 - U	2014	2014	Permitted	
Hunter 2	2011 - U	2011	2011	Under Construction	
Hunter 3	Existing	2008	Existing	Completed	
Huntington 1	2010 - U	2010	2010	Under Construction	
Huntington 2	2007 - I	2007	2007	Completed	
Dave Johnston 3	2010 - I	2010	2010	Completed	
Dave Johnston 4	2012 - I	2009	2012	Under Construction	
Jim Bridger 1	2010 - U	2010		Completed	2022
Jim Bridger 2	2009 - U	2005		Completed	2021
Jim Bridger 3	2011 - U	2007		Permitted	2015
Jim Bridger 4	2008 - U	2008		Completed	2016
Naughton 1	2012 - I	2012		Under Construction	
Naughton 2	2011 - I	2011		Under Construction	
Naughton 3	2014 - U	2014	2014	Baghouse Permitted	2014
Wyodak	2011 - U	2011	2011	Under Construction	
Cholla 4	2008 - U	2008	2008	Completed	

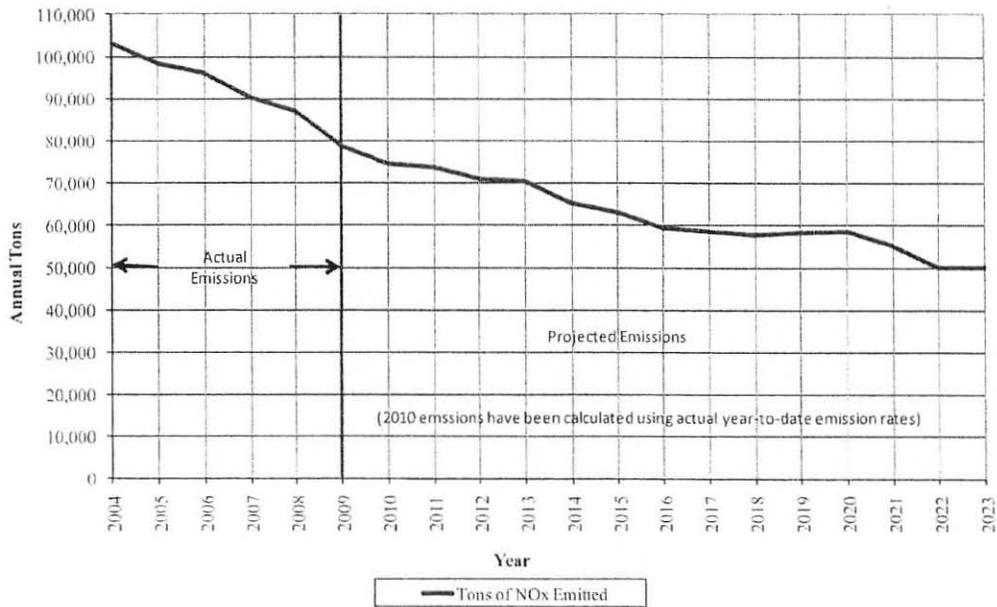
The following charts represent the reductions in emissions that will occur at units owned by PacifiCorp in Utah, Wyoming and Arizona¹. It is significant to note that permitting has been completed for all but the SCR projects; permitting for the SCR projects will be completed as needed in advance of project construction. The emission estimates shown in these charts have been calculated using projected unit generation and heat rate data in conjunction with each unit's permitted emission rate. In those cases where the units do not have emissions controls the estimates have been based on projections of the future coal quality. All projections used are from PacifiCorp's ten-year business plan. Actual future emissions will be less than those estimated in these charts since the units will operate below their permitted rates.

¹ PacifiCorp is also a joint owner of coal-fueled facilities in Colorado and Montana that are subject to regional haze planning requirements and for which PacifiCorp will incur associated costs of emissions controls.

2005 - 2009 Actual and 2010 - 2023 Projected SO2 Emissions
 PacifiCorp's Arizona, Utah & Wyoming Coal-Fired Units



2004 - 2009 Actual and 2010 - 2023 Projected NOx Emissions
 PacifiCorp's Arizona, Utah & Wyoming Coal-Fired Units



Project Installation Schedule

Emission reduction projects of the number and size described above take many years to engineer, plan and build. When considering a fleet the size of PacifiCorp's, there is a practical limitation on available construction resources and labor. There is also a limit on the number of units that may be taken out of service at any given time as well as the level of construction activities that can be supported by the local infrastructures at and around these facilities. Such limitations directly impact both the overall timing of these projects as well as their timing in relation to each other. Additional cost and construction timing limitations include the loss of large generating resources during some parts of construction and the associated impact on the reliability of PacifiCorp's electrical system during these extended outages. In other words, it is not practical, and it is unduly expensive, to expect to build these emission reduction projects all at once or even in a compressed time period. The pressure on emission reduction equipment and skilled labor is likely to be exacerbated by the significant emission reduction requirements necessitated by the Environmental Protection Agency's Clean Air Transport Rule which requires emission reductions in 31 Eastern states and the District of Columbia beginning in 2012 and 2014. The Environmental Protection Agency has indicated that a second Transport Rule is likely to be issued in 2011, requiring additional reductions in the Eastern U.S. beyond those effective in 2014. The balancing of these concerns is reflected in the timing of PacifiCorp's emission reduction commitments.

Priority of Emission Reductions

PacifiCorp's initial focus has been on installing controls to reduce SO₂ emissions which are the most significant contributors to regional haze in the western US. In addition, PacifiCorp continues to rely on the rapid installation of low NO_x burners to significantly reduce NO_x emissions. Also, the installation of five SCRs (or similar NO_x-reducing technologies) will be completed by 2023 and reduce NO_x emissions even further. PacifiCorp's commitment also includes the installation of several baghouses to control particulate matter emissions. For those units which utilize dry scrubbers, baghouses have the added benefit of improving SO₂ removal. Bagoes also significantly reduce mercury emissions.

In addition to reducing emissions at existing facilities, PacifiCorp has avoided increasing emissions by adding more than 1,400 megawatts of renewable generation between 2006 and 2010. In order to meet growing demand for electricity, PacifiCorp added non-emitting wind generation to its portfolio at a cost of over \$2 billion and has dismissed further consideration of a new coal-fueled unit.

Emission Reductions and BART Deadlines

As depicted in the table and charts above, PacifiCorp began implementing its emission reduction commitments in 2005. This was well ahead of the emission reduction timelines under the regional haze rules which require BART to be installed no later than five years following approval of the applicable Regional Haze SIP. This also provides a graphic demonstration of the construction schedule and other limitations described above, as PacifiCorp was required to begin installing emission control projects at some units earlier in order to complete projects at other

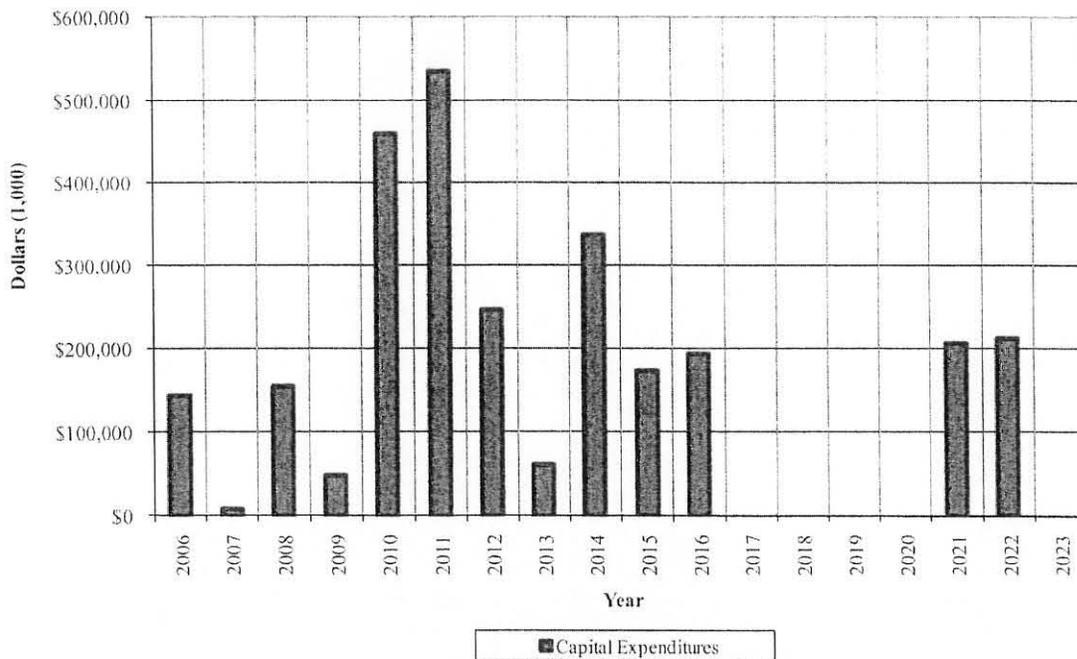
units within the five years after SIP approval. The table above demonstrates that most of the projects to be built between 2010 and 2014, likewise, will be installed in advance of the required completion date under BART requirements.

Customer Impacts

The following charts identify the timing and magnitude of the capital and O&M expenses that will be incurred due to the projects identified in Table 1. The charts identify:

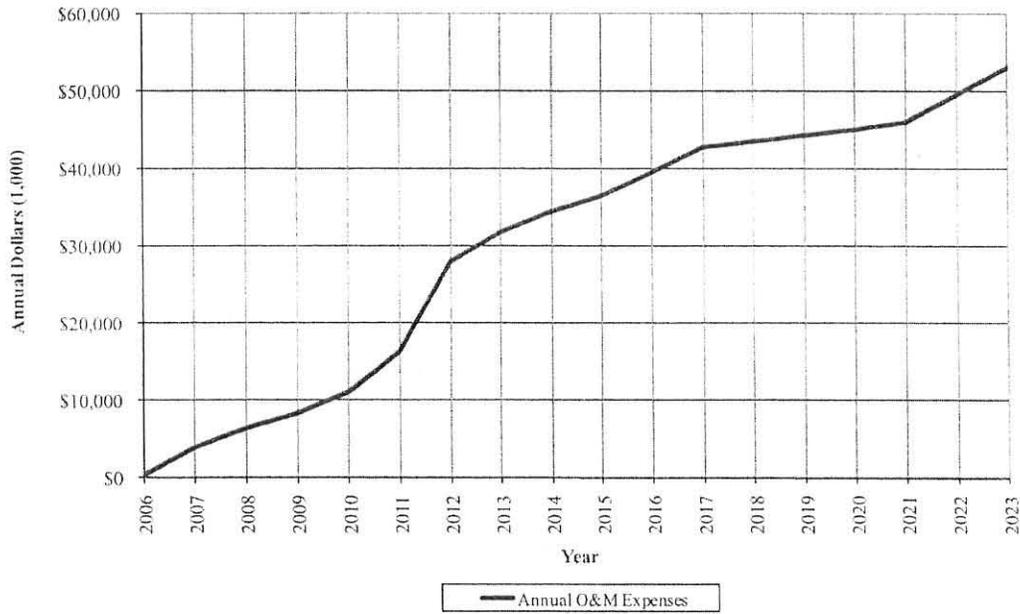
1. The timing and magnitude of the capital costs.
2. The O&M expenses that will be incurred due to these projects.
3. The expected annual costs² through 2023 that customers will be incur as a result of these specific pollution control projects.

Capital Expenditures to Add Pollution Control Equipment on PacifiCorp's Arizona, Utah & Wyoming Coal-Fired Units

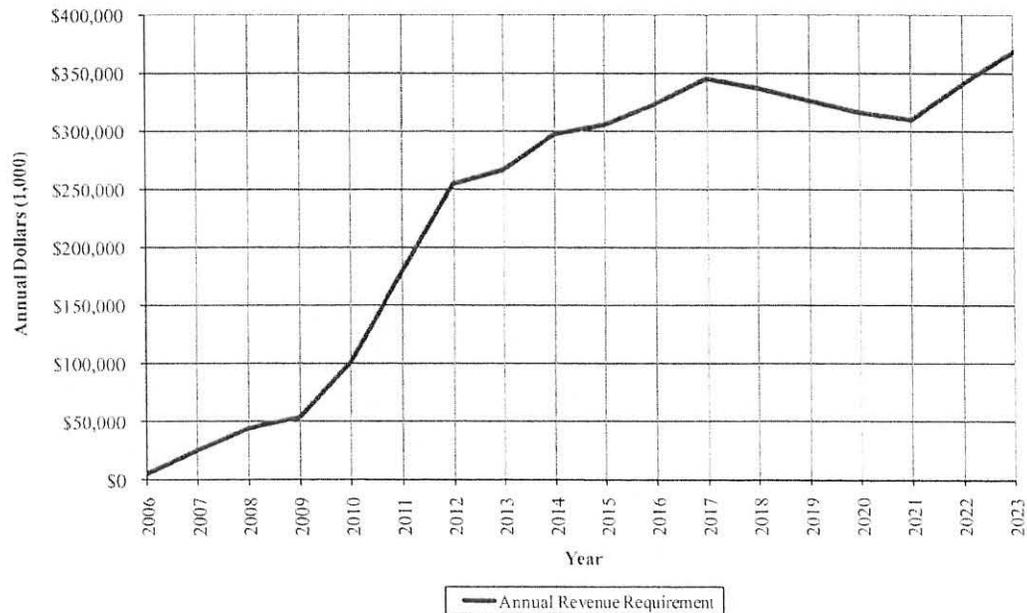


² PacifiCorp has made every attempt to provide an accurate estimate of the anticipated increase in annual revenue requirements that will ultimately be translated to increases in customers' electricity rates. However, there are several variables such as interest rates, inflation rates, discount rates, depreciation lives, and final construction costs and operating and maintenance expenses that will be considered at the time these projects actually go into rate base and will influence the actual revenue requirements associated with these capital projects.

Increases In O&M Expenses Due to Additional Pollution Control Equipment on Arizona, Utah & Wyoming Coal-Fired Units



Annual Increase to Customers Due to Additional Pollution Control Equipment on Arizona, Utah & Wyoming Coal-Fired Units



As can be seen from the previous charts, the rate increases for PacifiCorp customers associated with PacifiCorp's emission reduction strategy alone will be significant. In the event that PacifiCorp is required to accelerate or add to the planned emission reduction projects, the cost impacts to our customers can be expected to increase incrementally, particularly as plant outage schedules are extended and the need for skilled labor and material increases in the near term.

Of particular note, the projected costs reflect only the installation of the noted emission reduction equipment. These cost increases do not include other costs expected to be incurred in the future to meet further emission reduction measures or address other environmental initiatives, including but not limited to (see Attachment 1):

1. Implementation of Utah's Long Term Strategy for meeting regional haze requirements during the 2018-2023 time period.
2. The addition of mercury control equipment under the requirements of the upcoming mercury MACT provisions. PacifiCorp estimates that \$68 million in capital will be incurred by 2015 and annual operating expenses will increase by \$21million per year to comply with mercury reduction requirements. In addition, anticipated regulation to address non-mercury hazardous air pollutant (HAPs) emissions may require significant additional reductions of SO₂, as a precursor to sulfuric acid mist, from non-BART units that currently do not have specific controls to reduce SO₂ emissions.
3. Mitigating and controlling CO₂ emissions. While Congress has not yet passed comprehensive climate change legislation, in December 2009, the Administrator of the Environmental Protection Agency made a finding that greenhouse gases in the atmosphere threaten the public health and welfare of current and future generations. Having made the so-called "endangerment finding," EPA issued the final greenhouse gas tailoring rule, effective January 2, 2011, which will require greenhouse gas emissions to be addressed under PSD and Title V permits³. Likewise, mandatory reporting of greenhouse gas emissions to the Environmental Protection Agency commenced beginning in January 2010.
4. In addition, there are a number of regional regulatory initiatives, including the Western Climate Initiative that may ultimately impact PacifiCorp's coal-fueled facilities. PacifiCorp's generating units are utilized to serve customers in six states – Wyoming, Idaho, Utah, Washington, Oregon and California. California, Washington and Oregon are participants in the Western Climate Initiative, a comprehensive regional effort to reduce greenhouse gas emissions by 15% below 2005 levels by 2020 through a cap-and-trade program that includes the electricity sector; each state has implemented state-level emissions reduction goals. California, Washington and Oregon have also adopted greenhouse gas emissions performance standards for base load electrical generating resources under which emissions must not exceed 1,100 pounds of CO₂ per megawatt

³ The Environmental Protection Agency has not yet published its proposed guidance on what constitutes Best Available Control Technology for greenhouses gases.

hour. The emissions performance standards generally prohibit electric utilities from entering into long-term financial commitments (e.g., new ownership investments, upgrades, or new or renewed contracts with a term of 5 or more years) unless the base load generation supplied under long-term financial commitments comply with the greenhouse gas emissions performance standards. While these requirements have not been implemented in Wyoming, due to the treatment of PacifiCorp's generation on a system-wide basis (i.e., electricity generated in Wyoming may be deemed to be consumed in California based on a multi-state protocol), PacifiCorp's facilities may be subject to out-of-state requirements.

5. Regulations associated with coal combustion byproducts. In June 2010, the Environmental Protection Agency published a proposal to regulate the disposal of coal combustion byproducts under the Resource Conservation and Recovery Act's Subtitle C or D. Under either regulatory scenario, regulated entities, including PacifiCorp, would be required, at a minimum; to retrofit/upgrade or discontinue utilization of existing surface impoundments within five years after the Environmental Protection Agency issues a final rule and state adoption of the appropriate controlling regulations. It is anticipated that the requirements under the final rule will impose significant costs on PacifiCorp's coal-fueled facilities within the next eight to ten years.
6. The installation of significant amounts of new generation, including gas-fueled generation and renewable resources.
7. The addition of major transmission lines to support the renewable resources and other added generation.
8. Increasing escalation rates on fuel costs and other commodities

BART and Regional Haze Compliance

PacifiCorp firmly believes that the commitments described above meet the letter and intent of the regional haze rules, including the guidance provided by the EPA known as "Appendix Y." The regional haze program is a long-term effort with long-term goals ending in 2064. It must be approached from that perspective. It was never intended to require SCR on BART-eligible units within the first five years of the program. Rather, it calls for a transition to lower emissions exactly as PacifiCorp has implemented to date and as it has proposed going forward through 2023.

In its evaluation of emission reductions for regional haze purposes, the state should also consider several other variables which will significantly affect emissions and costs over the next ten years. These include such things as the development of new emission control technology, anticipated new emission reduction legislation and rules, the new ozone standard, the one hour SO₂ and NO₂ standards, the PM_{2.5} standard, potential CO₂ regulation and costs, an aging fleet, and changing economic conditions. All of these variables matter and will affect the long-term viability of each PacifiCorp coal unit and will contribute to the reduction of regional haze in the course of the

Exhibit A - PacifiCorp's Emissions Reduction Plan

November 2, 2010

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implementation of these programs. This, in turn, will affect the controls, costs and future operational expectations associated with these generating resources.

Conclusion

PacifiCorp has made a significant, long-term commitment to reducing emissions from its coal-fueled facilities and requests that the AQD consider this commitment as a reasonable approach to achieving emission reductions in Wyoming.

Attachment 1 Possible Timeline for Environmental Regulatory Requirements for the Utility Industry

