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May 31, 2022

ATTN: Regional Haze
Bryce Bird, Director
Utah Division of Air Quality
Utah Department of Environmental Quality
P.O. Box 144820
Salt Lake City, UT 84114-4820

Re: Deseret Power Comments on the Proposed Utah State Implementation Plan ("SIP"), Regional Haze Second Implementation Period

Deseret Generation & Transmission Co-operative ("Deseret" or "Deseret Power") understands that the Utah Air Quality Board ("UAQB" or "Board") approved the proposed regional haze ("RH") SIP, for the second implementation period, for public comment on April 2, 2022. Deseret further understands that the comment period runs from May 1, 2022 to May 31, 2022. Deseret appreciates this opportunity to comment in support of the proposed second period RH SIP.

Deseret supports and joins in the comments submitted by PacifiCorp (PacifiCorp Public Comments on Utah's Regional Haze Second Implementation Period SIP (May 31, 2022)) regarding the proposed RH SIP. Deseret submits these additional comments to emphasize the importance of the proposed RH SIP to Deseret and to the rural communities served by Deseret's electric system.

Background

In a March 24, 2022 memorandum from the Division of Air Quality ("DAQ") staff to the Board, the staff proposed the following RH SIP second implementation period strategy for maintaining reasonable progress toward achieving the national goal for visibility protection in Class I Areas ("CIAs"):

> The actions deemed necessary for reasonable progress to be made in Utah's CIAs for this [second] implementation period consist of establishing a firm closure date for units 1 and 2 of the Intermountain Generation Station, *setting mass-based emissions limits for PacifiCorp's Hunter and Huntington Power Plants*, and requiring the installation of a Flue Gas Recirculation (FGR) unit on the Riley Boiler at US Magnesium's Rowley Plant. *The emissions limits proposed for PacifiCorp ensure their emissions do not exceed their modeled or recent actual emissions levels to maintain Utah's 2028 "on-the-books" projections as modeled by WRAP*

> *to ensure reasonable visibility progress at Utah's CIAs by the end of this implementation period.*(emphasis added)

Deseret owns an undivided 25.108% interest in PacifiCorp's Hunter II unit.

Deseret is a non-profit cooperative owned by its five rural electric distribution members. Each of the member systems is a cooperatively-owned, democratically-governed organization providing retail electric service to member consumers living and working in some of the most rural and economically at-risk areas within Utah and surrounding states. Deseret provides all of the electric requirements for these small rural and tribal communities.

Deseret is member owned; it has no shareholders or investor owners. The ratepaying cooperative members are the ultimate owners of the organization. As such, Deseret has no ability to absorb or insulate costs of capital and operations at the Hunter II facility except to pass the cost on to its ratepayers.

For over 20 years, Deseret has operated as a financially distressed company under the terms of a troubled debt forbearance (the "Debt Forbearance") with its principal creditor. Under the terms of the Debt Forbearance, Deseret essentially pledged all of its available net cashflow toward partial payment of long-term indebtedness which Deseret has been unable to pay in full. A key provision of the Debt Forbearance is that Deseret cannot incur any added indebtedness without prior express consent of the existing creditor. The creditor understandably does not allow Deseret to take on new debt without first scrutinizing whether and to what extent the new debt would result in increased net cashflows to help repay the outstanding arrearage on existing debt held by the creditor.

In its present condition, Deseret is not certain it would be able to raise capital necessary to finance its portion of costs to install any additional and costly post-combustion controls at Hunter II. It would be left to the decision of Deseret's creditor to refuse to allow Deseret to solicit or draw on any new source of financing for such controls.

Comments

In light of the foregoing, Deseret strongly urges that any requirement for additional controls at Hunter II be designed to satisfy the most stringent standard for cost-effectiveness. Where alternatives have been selected by the State for achieving reasonable progress under the Regional Haze program, those alternatives should be adopted rather than to threaten Deseret's financial stability by mandating extremely costly controls be added to the Hunter II unit.

Deseret specifically believes that mandating the addition of Selective Catalytic Reduction ("SCR") controls at Hunter II is unwarranted and could pose unacceptable financial risks to Deseret. The SCR for Hunter II will cost approximately $165 million according to EPA's estimate (*Table 5, Response to Comments, EPA-R08-OAR-2015-0463-0208 at p. 205).* Of that amount, Desert would be responsible for contributing approximately $41 million. Deseret cannot borrow or pay that amount from existing cash resources – it would require the consent of the creditor under the debt forbearance to borrow Deseret's share.

Under the forbearance arrangement, Deseret must provide annual revised forward projections to its creditors of anticipated cash flows (or deficits) through 2026. Should the revised cash flow projection indicate a projected deficit in available cashflows to meet minimum scheduled debt payments for the coming year, *immediate restrictions on Deseret's use of available cash flow are triggered.*

Upon such a projected cash flow shortfall, Deseret's creditors could immediately attain to rights under the forbearance agreement that give the creditor consent rights on much of Deseret's day-to-day operations. The annual operating budgets, rebate programs to its members, capital rotation payments to member cooperatives, and other similar payments must immediately cease or be approved on a case-by-case basis by the unpaid creditors if the projected cashflow models anticipate a shortfall. These creditor remedies will become active *immediately* once Deseret delivers updated long term cash flow projections that show Deseret's inability to meet cash requirements for the coming period. Any mandate to install SCR at Hunter II could, if Deseret does not have an approved financing source to pay its share of such an upgrade, trigger these egregious provisions.

Among the very immediate ramifications that could flow from Deseret delivering such a revised cash flow projection:

- Deseret relies on making cash rebates to its six rural electric cooperative members to equalize and stabilize rate effects among the six rural organizations. Should the creditors place these cash rebates on hold, the result will be to greatly increase all of the rates paid by these rural electric cooperatives and passed through to rates charged for electricity served to rural homes and communities. Some members in portions of Wyoming and elsewhere would see much more dramatic, unplanned, and sudden increases in rates than other areas, because the FERC-approved rebates serve to equalize rates among the Deseret distribution members.

- Deseret would be precluded from funding Energy Efficiency Improvement programs.

- Deseret would be forced to re-evaluate labor costs and compensation levels, for its workforce.

- Deseret would be precluded from making cash payments to member distribution cooperatives to rotate capital margins (cash paid in excess of operating costs) accumulated during past years. Other major maintenance projects at Deseret's plants would be severely restricted or curtailed for the coming years through 2025.

For the foregoing reasons, Deseret urges that no additional controls be mandated at Hunter II as part of the reasonable progress demonstration.

Very truly yours,

PARR BROWN GEE & LOVELESS

Steven J. Christiansen

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