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May 3, 2012

IDAHO PUBLIC
UTILITIES COMMISSION

VIA OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

RE: Case No. PAC-E-12-07

**APPLICATION OF ROCKY MOUNTAIN POWER FOR A DEFERRED
ACCOUNTING ORDER REGARDING COSTS INCURRED FOR NAUGHTON
UNIT 3 SELECTIVE CATALYTIC REDUCTION SYSTEM, PULSE JET
FABRIC FILTER SYSTEM AND RELATED ENVIRONMENTAL UPGRADES**

Dear Ms. Jewell:

Enclosed for filing are an original and seven (7) copies of Rocky Mountain Power's ("Company") Application for an accounting order authorizing the Company to record a regulatory asset associated with the development, design, engineering and initial procurement costs incurred to meet state and federal emission requirements at Naughton Unit 3, including costs associated with a Selective Catalytic Reduction System (SCR), Pulse Jet Fabric Filter System (PJFF) and related environmental upgrades.

Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

with copies to: Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
201 South Main Street Suite 2300
Salt Lake City, Utah 84111
E-mail: ted.weston@pacificorp.com

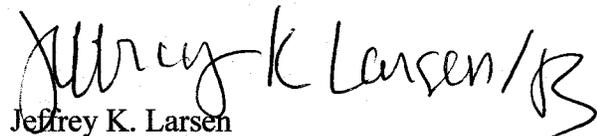
Idaho Public Utilities Commission

May 3, 2012

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Information inquiries related to this report should be directed to Ted Weston, (801) 220-2963.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey K. Larsen" followed by a stylized flourish or initial.

Jeffrey K. Larsen

Vice President, Regulation and Government Affairs

Enclosures

Mark C. Moench
Yvonne R. Hogle (Pro Hac Vice)
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4050
FAX: (801) 220-3299
Email: yvonne.hogle@pacificorp.com
mark.moench@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of Rocky Mountain Power for a Deferred Accounting Order Regarding Costs Incurred for Naughton Unit 3 Selective Catalytic Reduction System, Pulse Jet Fabric Filter System and Related Environmental Upgrades)	CASE NO. PAC-E-12-07
)	APPLICATION FOR ACCOUNTING ORDER
)	
)	

Rocky Mountain Power, a division of PacifiCorp, (“Rocky Mountain Power” or the “Company”), applies to the Idaho Public Utilities Commission (“Commission”) for an accounting order authorizing the Company to record a regulatory asset associated with the development, design, engineering and initial procurement costs incurred to meet state and federal emission requirements at Naughton Unit 3, including costs associated with a Selective Catalytic Reduction System (“SCR”), Pulse Jet Fabric Filter System (“PJFF”) and related environmental upgrades in accordance with Idaho Code § 61-524 and the Rules of Procedure 52 of the Commission. In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 72,000 customers in the state of Idaho and is subject to the jurisdiction of the Commission.

2. Rocky Mountain Power files this application pursuant to Idaho Code § 61-524, which authorizes the Commission to prescribe the accounting to be used by public utilities subject to its jurisdiction.

3. Communications regarding this filing should be addressed to:

Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
201 South Main Street Suite 2300
Salt Lake City, Utah 84111
E-mail: ted.weston@pacificorp.com

Yvonne R. Hogle
Senior Counsel
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
E-mail: yvonne.hogle@pacificorp.com

In addition, Rocky Mountain Power requests that all data requests regarding this application should be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Ted Weston, Idaho Regulatory Affairs Manager at (801) 220-2963.

4. Rocky Mountain Power worked with state, tribal and federal agencies through the Western Regional Air Partnership initiated in 1999, to develop and implement regional planning processes to improve visibility in national parks and wilderness areas in the western United States. The Company's early efforts with state

agencies of Utah and Wyoming led to the development of the Company's Comprehensive Air Initiative ("CAI"). The CAI was designed to reduce power plant emissions in accordance with regional haze and other air quality regulations that would require emission reductions, while maintaining a reasonable balance with the interests of customers and the obligation to serve their current and reasonably projected demands.

5. While environmental regulations across the United States continue to evolve, the specific environmental requirements for the Naughton Unit 3 SCR and PJFF projects are the following:

- U.S. Environmental Protection Agency ("EPA") Clean Air Act ("CAA") regional haze rules codified at 40 Code of Federal Regulations ("CFR") 51.300-309;
- The state of Wyoming's 40 CFR 51.309(g) January 7, 2011, regional haze state implementation plan ("SIP");
- The state of Wyoming's corresponding best available retrofit technology ("BART") analysis, determination, decision and permit MD-6042 dated December 31, 2009;
- Amended BART permit MD-6042A dated December 23, 2010; and
- BART Appeal Settlement Agreement dated November 2, 2010. BART permit MD-6042A establishes an emissions control compliance and a SCR and PJFF systems installation deadline of December 31, 2014.

6. The Company initiated evaluation of emissions control equipment and engineering assessments specific to Naughton Unit 3 in November 2003, with various updates and additional reviews completed since that time. These assessments were

necessary to analyze and reduce the risk associated with long-term system performance and operation and maintenance requirements associated with compliance, project scope, definition and procurement. These tasks were started early in the environmental compliance process because they were critical to establishing a well-defined and timely environmental compliance plan and to mitigate SCR and PJFF systems development and execution risk.

7. To implement the state of Wyoming SIP obligations in accordance with the Environmental Quality Act WS 35-11-101, air quality standards and regulations were promulgated by the Wyoming Environmental Quality Council. The regulations require that each emission source in Wyoming subject to BART requirements needed to submit a BART application by December 15, 2006. Although the Company was granted an extension to submit its application on January 12, 2007, this state of Wyoming requirement initiated the Company's compliance planning activities associated with Naughton Unit 3 and its other BART eligible facilities in the state of Wyoming. The details of the Company's compliance planning activities are discussed at length in the Company's Certificate of Public Convenience and Necessity ("CPCN") Application in Wyoming Docket No. 20000-400-EA-11.

8. In 2010, the Company began execution of the critical path schedule including development of detailed project procurement specifications and initiation of a competitive request for proposals process for the multi-year SCR and PJFF engineering, procurement and construction ("EPC") contracting process. To maintain the project critical path schedule supporting the mandated regional haze compliance deadline of December 31, 2014, while proceeding through the CPCN process that was initiated in

September 2011 as a result of the rate case settlement in Wyoming Docket No. 20000-384-EA-10, the Company negotiated and entered into a limited notice to proceed (“LNTP”) EPC contract on December 1, 2011.

9. Activities completed within the LNTP period included detailed engineering and design of time-critical systems, development of equipment procurement specifications, development of preliminary 3-dimensional modeling of the project, development of project execution deliverables and procedures, site subsurface assessments, site geotechnical investigations and preliminary foundation design activities. When the Company became aware that the environmental improvements at Naughton Unit 3 were no longer economically supported as described in the rebuttal testimony filed by the Company on April 9, 2012, in Wyoming Docket No. 20000-400-EA-11, the Company suspended EPC contract LNTP activities as of the end of February 2012. Total Naughton Unit 3 environmental compliance project permitting, development, engineering, and site assessment activities costs incurred to date are \$7,914,547.69 as detailed in **Attachment 1**. The Company prudently incurred the costs detailed in **Attachment 1**, which were necessary at the time incurred to meet the time sensitive schedules prescribed by the state and federal requirements noted in section 5 of this Application.

10. The Company requests Commission approval to transfer \$7,914,547.69 out of FERC Account 107 (Construction Work in Progress) and record a regulatory asset in FERC Account 182.3 (Other Regulatory Assets). Idaho’s share of the regulatory asset will be established based on the system generation (“SG”) allocation factor, resulting in approximately \$479,000 allocated to Idaho.

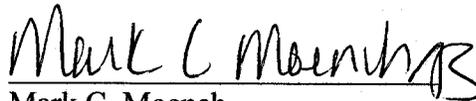
11. Rocky Mountain Power is not requesting a final decision on rate recovery through this Application. The Company would address rate recovery of the Regulatory Asset in its next general rate case and would propose amortization begin in that test period.

12. Rocky Mountain Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing, in accordance with RP 201 *et seq.*

WHEREFORE, Rocky Mountain Power respectfully requests an accounting order authorizing it to record a regulatory asset to FERC Account 182.3 (Other Regulatory Assets).

DATED: May 3, 2012

Respectfully submitted,



Mark C. Moench

Yvonne R. Hogle (Pro Hac Vice)

Attorneys for Rocky Mountain Power

ATTACHMENT 1

Incurred Cost Summary (a)				
WBS	Description	Prudency Category	Incurred Cost To Date	Year(s) Cost Posted
/INTLAB	Internal project labor	Other Owner's Costs	\$396,635.99	2009-2012
/CONSULT	Owner's engineering consultant contracts	Project Development and Engineering	\$955,062.48	2009-2012
/DRYASH	Dry ash system study	Related Environmental Control Plan Costs	\$144,809.27	2010-2012
/LANDF	Landfill siting study	Related Environmental Control Plan Costs	\$148,981.98	2011-2012
/DPERMIT	WDEQ AQD permitting fees	Regional Haze SIP and BART Requirements	\$6,314.14	2011-2012
/OTHER	Travel expenses, printing, mail	Other Owner's Costs	\$6,218.24	2010-2012
/RMPINTC	RMP interconnection	Project Development and Engineering	\$59,832.22	2011-2012
	Subtotal, project development phase		\$1,717,854.32	
/BHDEVTR	PJFF system studies	Project Development and Engineering, Regional Haze SIP and BART Requirements	\$408,999.60	2011-2012 (b)
/EPC	EPC contract	EPC Contract Costs	\$5,181,555.74	2011-2012
/OE_IMPL	Owner's engineering consultant contract	Other Owner's Costs	\$103,854.72	2011-2012
/RESDLBRI	Internal project labor	Other Owner's Costs	\$224,225.55	2011-2012
/PLTLBRI	Plant labor, training and startup assistance	Other Owner's Costs	\$4,633.16	2011-2012
/OTRI	Travel expenses, printing, mail	Other Owner's Costs	\$7,266.95	2011-2012
/BARTSTY2	BART study	Regional Haze SIP and BART Requirements	\$96,011.82	2011-2012
/RMPINTC2	RMP interconnection	Project Development and Engineering	\$131,198.38	2011-2012
/CAPSURCH	Capital surcharge	Other Owner's Costs	\$38,947.45	2011-2012
	Subtotal, project implementation phase		\$6,196,693.37	
	Total incurred cost to date		\$7,914,547.69	

(a) Costs posted in SAP project systems with settlement to April 12, 2012.

(b) Costs transferred by journal voucher from PJFF development WBS SNAU/2008/C/C06, NAU U3 SO2 and PM Emissions Control Upgrade. Costs were originally posted to SAP in 2007-2011 and pointed to SNAU/2008/C/C06.