

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA)	
ROCKY MOUNTAIN POWER'S)	CASE NO. PAC-E-12-07
APPLICATION FOR AN ACCOUNTING)	
ORDER REGARDING COSTS INCURRED)	NOTICE OF MODIFIED
FOR NAUGHTON UNIT 3)	PROCEDURE
)	
)	ORDER NO. 32649

On May 3, 2012, PacifiCorp dba Rocky Mountain Power applied to the Commission for an Order authorizing it to record a regulatory asset associated with its costs to meet emission requirements at Naughton Unit 3. According to the Company, Idaho's share of the regulatory asset would be about \$479,000. The Company says it does not seek to recover that amount in this proceeding. Rather, it will seek recovery in its next general rate case.

The Commission issued a Notice of Application on May 23, 2012. With this Order, the Commission sets comment deadlines and orders that the case be processed by Modified Procedure.

THE APPLICATION

In the Application, the Company claims it has worked with state, tribal, and federal agencies to develop a Comprehensive Air Initiative (CAI) to improve visibility in national parks and wilderness areas. The CAI is designed to reduce power plant emissions in accordance with regional haze and other air-quality regulations while balancing customer interests and the obligation to serve current and reasonably projected demands. Application at 2-3.

The Company says it has incurred costs to develop, design, engineer and procure environmental upgrades including Selective Catalytic Reduction (SCR) and Pulse Jet Fabric Filter (PJFF) systems. *Id.* at 1. The Company must comply with environmental requirements such as U.S. Environmental Protection Agency Clean Air Act regional haze rules. The Company says it must also comply with Wyoming's regional haze state implementation plan (SIP) and best available retrofit technology (BART) analysis, determination, decision and permit MD-6042, Amended BART permit MD-6042A, and a related settlement agreement which establishes a December 31, 2014 emissions control compliance and SCR and PJFF systems installation deadline. *Id.* at 3.

The Company says it began its compliance-planning activities for Naughton Unit 3 in response to Wyoming regulations requiring Naughton Unit 3 and similar emission sources to submit a BART application by December 15, 2006 (the Company received a 1-month extension). *Id.* at 4. Earlier, in November 2003, the Company began engineering assessments and evaluating emission control equipment for Naughton Unit 3. The Company says these assessments and evaluations, which it has continued to update and refine, were critical to establishing an environmental compliance plan and to mitigate SCR and PJFF systems-development risk. *Id.*

The Company says it began in 2010 to execute its critical path schedule in order to meet the December 2014 regional haze compliance deadline. *Id.* This included developing detailed project procurement specifications and requesting proposals related to SCR and PJFF engineering, procurement, and construction (EPC). *Id.* The Company entered a limited notice to proceed (LNTP) EPC contract on December 1, 2011. *Id.* at 5. The LNTP contemplates detailed engineering and design of time-critical systems, development of equipment procurement specifications and preliminary three-dimensional modeling, development of project execution deliverables and procedures, site subsurface assessments, site geotechnical investigations and preliminary foundation design activities. *Id.* However, the Company subsequently learned that the environmental improvements contemplated for Naughton Unit 3 were no longer economically supported. *Id.* (citing Company's April 9, 2012 rebuttal testimony filed in Wyoming Docket No. 20000-400-EA-11). Accordingly, the Company suspended the EPC contract LNTP activities as of the end of February 2012. *Id.*

The Company says it has prudently incurred \$7,914,547.69 in necessary costs related to Naughton Unit 3 environmental compliance project permitting, development, engineering, and site assessment activities. *Id.* (citing Application Attachment 1, detailing the costs). With this Application, the Company seeks to transfer this amount out of FERC Account 107 (Construction Work in Progress) and record a regulatory asset in FERC Account 182.3 (other Regulatory Assets). The Company says Idaho's share of the regulatory asset will be established based on the system generation (SG) allocation factor, resulting in about \$479,000 allocated to Idaho. *Id.* The Company says it will seek to recover this regulatory asset in its next general rate case, and that it would propose that amortization begin in that test period. *Id.* at 5-6.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Joint Application may file a written comment in support or opposition with the Commission within sixty (60) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Rocky Mountain at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Ted Weston
Idaho Regulatory Affairs Manager
Yvonne R. Hogle
Senior Counsel
Rocky Mountain Power
201 S. Main Street Suite 2300
Salt Lake City, UT 84111
E-Mail: ted.weston@pacificorp.com
yvonne.hogle@pacificorp.com

All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Comments and Questions" icon and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Rocky Mountain at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application, supporting workpapers, and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and workpapers are also available on the Commission's web site at www.puc.idaho.gov by clicking on "File Room" and then "Electric Cases."

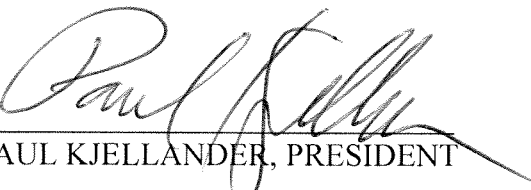
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-118, 61-119, 61-307, 61-502, and 61-623. The Commission may enter any final Order consistent with its authority under Title 61.

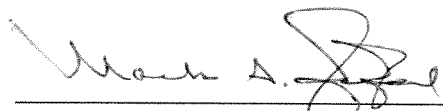
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

ORDER

IT IS HEREBY ORDERED that Rocky Mountain Power's Application be processed by Modified Procedure. Persons interested in submitting written comments in this matter must do so no later than sixty (60) days from the date of this Order.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 21st
day of September 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:PAC-E-12-07_kk2