

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF PACIFICORP DBA ROCKY MOUNTAIN ) CASE NO. PAC-E-12-08**  
**POWER FOR A DEFERRED ACCOUNTING )**  
**ORDER. ) ORDER NO. 32701**  
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On May 3, 2012, PacifiCorp dba Rocky Mountain Power filed an Application with the Commission seeking a deferred accounting order authorizing the creation of a regulatory asset associated with the remaining book value of its Carbon plant. The Commission issued a Notice of Application on May 23, 2012. A Notice of Modified Procedure was issued on September 21, 2012, setting a comment deadline of November 20, 2012. Order No. 32648. Commission Staff was the only person or party to file comments. By this Order, the Commission approves Rocky Mountain Power's Application.

**THE APPLICATION**

Rocky Mountain Power requests a deferred accounting order authorizing the Company to transfer the remaining plant balances from electric plant in service and accumulated depreciation and establish a regulatory asset to recover these costs when the Carbon plant is retired. The Company anticipates retiring the Carbon plant in early 2015 to comply with recently finalized Environmental Protection Agency (EPA) standards. The Company would amortize the regulatory asset through 2020 – the current assumed life of the plant.

Rocky Mountain Power anticipates that once the plant is retired, the Company will book the net plant balance to be recovered to the regulatory asset account, along with any other associated costs. Rocky Mountain Power maintains that the costs associated with alternatives to comply with the EPA's recently finalized Mercury and Air Toxics Standards (MATS) are not expected to be cost-effective. The current emissions profiles of the Carbon units do not meet MATS limits for all pollutants regulated under that rule. The Carbon units have not been, and cannot economically be, retrofitted with scrubbers, baghouses, or other significant emissions control equipment investments that would foster the Carbon plant's ability to comply.

In addition to the MATS rules, Rocky Mountain Power has considered other regulations in its long-term planning decisions for the Carbon plant, including National Ambient Air Quality Standards (NAAQS) and long-term Regional Haze Rule planning. The Company

anticipates that the Carbon plant will not be able to demonstrate attainment of the 1-hour nitrogen oxides or 1-hour sulfur dioxide NAAQS, as would be expected to be required under any major plant modification permitting process, primarily due to the unique geographic location of the plant. The Carbon plant is located in the mouth of a canyon with no room to install significant environmental retrofits.

The Company states that it previously assessed converting the Carbon plant to natural gas as a fuel resource. However, a conversion would not achieve an acceptable emissions profile for long-term environmental compliance. Rocky Mountain Power's economic analysis also showed that it was not a viable least cost option, after accounting for risk and uncertainty.

Rocky Mountain Power maintains that it continues to assess compliance solutions, including assessing whether emerging technologies could save the Carbon plant from decommissioning. The Company states that it will continue to assess the commercial viability and cost of emerging technologies, as well as the ability of said technologies to support compliance with other emissions regulations such as NAAQS and long-term Regional Haze Rule planning to which Carbon would be subject. However, Rocky Mountain Power does not expect to identify a least-cost option, accounting for risk and uncertainty, other than retiring the Carbon plant.

The Company states that retiring Carbon may pose a complication with potential transmission system impacts. Depending on the impacts, the Company may need to request an extension of the initial April 2015 compliance deadline for the Carbon plant. If there is a need for requesting an extended compliance schedule, Rocky Mountain Power will work within the conditions included in the MATS regulations and seek administrative guidance to request an appropriate compliance extension.

The Company reports that, as of December 31, 2011, the Carbon plant had a net book value of approximately \$55 million, with a depreciable life running through 2020. Rocky Mountain Power reports its annual depreciation expense at approximately \$3.7 million. The Company requests that the Commission approve the transfer of the remaining plant balances for the Carbon plant from FERC Account 101 (Electric Plant in Service) and FERC Account 108 (Accumulated Depreciation) and record a regulatory asset for the net amount in FERC Account 182.3 (Other Regulatory Assets) on the date the plant is removed from service. The Company

also requests that the Commission approve the amortization of the newly created regulatory asset beginning with the transfer date over the remaining depreciable life of the Carbon plant, or 2020. Rocky Mountain Power states that Idaho's share of the regulatory asset would be established based on the system generation (SG) allocation factor for the calendar year prior to the date the plant is removed from service.

Rocky Mountain Power maintains that the transfer of the net plant balance of the Carbon plant to a regulatory asset with amortization of the regulatory asset over the remaining depreciable life of the plant will result in the continuation of equivalent levels of rate base and annual expense and have minimal impact on customer rates.

The Company currently estimates the cost of decommissioning the facility and remediating the site to be approximately \$57 million. The Company states that it will be refining that estimate over the coming months as its compliance assessment continues. Rocky Mountain Power maintains that it will file a recommendation for amortization and recovery of these costs in a future general rate case or other proceeding.

#### **COMMENTS**

In reviewing Rocky Mountain Power's Application, Staff considered several options including the need to retire the plant, reasonable alternatives to retirement, transmission issues, and customer impact of the Company's proposal. Staff believes, generally, a power plant may be retrofitted with scrubbers, baghouses, or other significant emissions control equipment investments that would foster the plant's ability to comply with environmental regulations. The Carbon plant is unique in its mountainside location at the mouth of the narrow Castle Gate Canyon in Utah, and has no room to install significant environmental retrofits. Staff maintained that even if economically feasible abatement technologies emerge, Rocky Mountain Power may still lack the physical ability to retrofit the Carbon plant.

An alternative to retirement of the coal-fired Carbon plant is to repower the plant using natural gas. However, there is still the risk that even with conversion to natural gas, the plant will not meet emissions standards and will have to be shut down. Staff recommended the Company be directed to demonstrate that natural gas conversion is not a feasible solution for the Carbon plant no later than its next general rate case. Staff believes it is unlikely that a technical solution can be found in the near future, but supports the Company's willingness to identify a least-cost option, accounting for risk and uncertainty, for extending the life of the Carbon plant.

Staff views the assumed shutdown date of April 2015 as the earliest that the Carbon plant would be retired. Staff recommended any retirement prior to 2015 require a filing with the Commission demonstrating the prudence of such a decision.

Staff audited the remaining plant balances proposed to be transferred to the regulatory asset account, including the capital additions made in 2008 and 2009. The audit found that those additions were required to keep the plant functioning at an acceptable level until its planned retirement in 2020 and should be included in the amount to be transferred. Rocky Mountain Power's Application requests that the transferred amount be amortized over the remaining depreciable life of the Carbon plant as if it has remained in service. Staff believes this is reasonable and would have minimal impact on customers. Ultimately, Staff recommended the Commission approve the Company's Application for deferred accounting treatment of the remaining plant balance of the Carbon plant at the time of the plant's retirement.

### **FINDINGS AND CONCLUSIONS**

Rocky Mountain Power is a public utility pursuant to *Idaho Code* §§ 61-119 and 61-129. The Commission has jurisdiction over this matter pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.* Based on our review of the Company's Application and the audit and comments of Commission Staff, we approve Rocky Mountain Power's request to transfer the remaining plant balances from electric plant in service and accumulated depreciation and establish a regulatory asset to recover these costs when the Carbon plant is retired.

The Company stated that it will continue to monitor compliance solutions including assessing whether emerging technologies could save the Carbon plant from decommissioning. While we find that it is just and reasonable to allow Rocky Mountain Power to establish a regulatory asset associated with the remaining book value of its Carbon plant, we encourage Rocky Mountain Power to continue to explore options and keep this Commission informed of any potential alternative solutions.

### **ORDER**

IT IS HEREBY ORDERED that Rocky Mountain Power's Application seeking a deferred accounting order authorizing the creation of a regulatory asset associated with the remaining book value of its Carbon plant is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

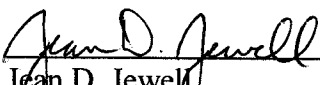
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup> day of December 2012.

  
PAUL KJELLANDER, PRESIDENT

  
MACK A. REDFORD, COMMISSIONER

  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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