

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL

**DATE:** MAY 17, 2012

**SUBJECT:** APPLICATION OF ROCKY MOUNTAIN POWER FOR A DEFERRED  
ACCOUNTING ORDER, CASE NO. PAC-E-12-08

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 Company requests that the Application be processed by Modified Procedure.

### 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.

#### **STAFF RECOMMENDATION**

Staff has reviewed the Application and recommends that the case proceed by Modified Procedure.

#### **COMMISSION DECISION**

Does the Commission find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure?

  
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Kristine A. Sasser  
Deputy Attorney General

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