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*Attorneys for Rocky Mountain Power*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky ) DOCKET NO. 12-035- \_\_\_\_\_  
Mountain Power for an Accounting Order To )  
Defer the Costs Related to the ) APPLICATION FOR ACCOUNTING  
Decommissioning of the Carbon Plant ) ORDER  
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Pursuant to Utah Code Ann. §54-4-23, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”), hereby makes application (“Application”) to the Public Service Commission of Utah (“Commission”) for an 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 would recover these costs through an amortization through 2020, the currently assumed life of the plant. The Company anticipates retiring the Carbon plant in early 2015 to comply with recently finalized EPA standards. It is anticipated that once the plant is retired, Rocky Mountain Power will book the net plant balance to be recovered to the regulatory asset account, along with any other associated costs. Amortization of these costs would begin in 2015, after the plant is closed, and would be collected through 2020, the depreciable life of the asset.

In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, which is an electrical corporation and public utility in the state of Utah and is subject to the jurisdiction of the Commission with regard to its public utility operations. PacifiCorp also provides retail electric service in the states of Idaho and Wyoming under the name Rocky Mountain Power, and in the states of Oregon, Washington and California under the name Pacific Power.
2. This Application is filed pursuant to Utah Code Ann. §54-4-23, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction.

3. Communications regarding this Application should be addressed to:

David L. Taylor Manager, Utah Regulatory Affairs Rocky Mountain Power 201 South Main Street, Suite 2300 Salt Lake City, Utah 84111 E-mail: <a href="mailto:dave.taylor@pacificorp.com">dave.taylor@pacificorp.com</a>	Yvonne R. Hogle Senior Counsel Rocky Mountain Power 201 South Main Street, Suite 2300 Salt Lake City, Utah 84111 E-mail: <a href="mailto:yvonne.hogle@pacificorp.com">yvonne.hogle@pacificorp.com</a>
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In addition, Rocky Mountain Power requests that all data requests regarding this application be addressed to:

By email (preferred)

[datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)  
[dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com)

By regular mail

Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Informal inquiries related to this application may be directed to Dave Taylor, (801) 220-2923.

4. The Company is filing this Application because the costs associated with alternatives to comply with the Environmental Protection Agency's ("EPA") 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.

5. In addition to the MATS rules, Rocky Mountain Power must consider other regulations in its long-term planning decisions for the Carbon plant. These other regulations include 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 (“NO<sub>x</sub>”) or 1-hour sulfur dioxide (“SO<sub>2</sub>”) 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.

6. As another compliance alternative, the Company previously assessed converting the Carbon plant to natural gas as a fuel resource; however, doing so would not achieve an acceptable emissions profile for long-term environmental compliance. Moreover, our economic analysis showed it was not a viable least cost option, after accounting for risk and uncertainty. Even if economically it made sense, converting the Carbon units to natural gas may not achieve an acceptable emissions profile for long-term environmental compliance.

7. Nevertheless, the Company continues to assess compliance solutions, including assessing whether emerging technologies could save the Carbon plant from decommissioning. For example, the Company is reviewing dry sorbent injection into the combustion processes, to determine if this would assist in achieving MATS compliance. Assuming the testing provides

positive results for MATS regulated emissions, the Company will continue to assess the commercial viability and cost of such 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.

8. Despite the Company's continued assessment of the options mentioned above, the Company does not expect to identify a least-cost option, accounting for risk and uncertainty, other than retiring the Carbon plant.

9. 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 the Company finds there is a need for requesting an extended compliance schedule, the Company will work within the conditions included in the MATS regulations and seek administrative guidance to request an appropriate compliance extension.

10. As of December 31, 2011, the Carbon plant had a net book value of approximately \$55 million, with a depreciable life running through 2020. Annual depreciation expense is approximately \$3.7 million.

11. The Company requests 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 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. Utah's share of the regulatory asset will be established based on the

system generation (SG) allocation factor for the calendar year prior to the date the plant is removed from service.

12. 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.

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

WHEREFORE, Rocky Mountain Power respectfully requests that in accordance with Utah Code Ann. §54-4-23, the Commission issue an order authorizing the Company to establish a regulatory asset to recover the net remaining book balance of the Carbon plant, plus authority to include the regulatory asset in rate base when the plant is retired.

DATED this \_\_\_\_ day of May, 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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*Attorneys for Rocky Mountain Power*

## CERTIFICATE OF SERVICE

I hereby certify that on May 1, 2012, I caused to be served, via E-mail or Overnight mail, a true and correct copy of the foregoing document to the following:

Michele Beck  
Cheryl Murray  
Utah Office of Consumer Services  
160 East 300 South, 2nd Floor  
Salt Lake City, UT 84111  
[mbeck@utah.gov](mailto:mbeck@utah.gov)

Chris Parker  
Division of Public Utilities  
Heber M. Wells Building  
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