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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 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	)	<b>DOCKET NO. 12-035-___</b>
	)	
	)	<b>APPLICATION FOR</b>
	)	<b>ACCOUNTING ORDER</b>
	)	
	)	
	)	

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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”), applies to the Public Service Commission of Utah (“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 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 filing should be addressed to:

Dave Taylor  
Utah Regulatory Affairs Manager  
Rocky Mountain Power  
201 South Main Street Suite 2300  
Salt Lake City, Utah 84111  
E-mail: [dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com)

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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](mailto: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 Dave Taylor, Utah Regulatory Affairs Manager at (801) 220-2923.

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). Utah’s share of the regulatory asset will be established based on the system generation (“SG”) allocation factor, resulting in

approximately \$3,415,000 allocated to Utah.

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.

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,

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Mark C. Moench  
Yvonne R. Hogle

Attorneys for Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that on May 3, 2012, I caused to be served, via E-mail or Overnight mail, a true and correct copy of the foregoing document to the following:

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