

RECEIVED

2016 NOV -8 PM 4:04

IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S APPLICATION FOR A ) CASE NO. IPC-E-16-28  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT SYSTEM )  
IMPROVEMENTS TO SECURE ADEQUATE )  
AND RELIABLE SERVICE TO CUSTOMERS )  
IN THE WOOD RIVER VALLEY. )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

MICHAEL J. YOUNGBLOOD

1 Q. Please state your name and business address.

2 A. My name is Michael J. Youngblood and my  
3 business address is 1221 West Idaho Street, Boise, Idaho  
4 83702.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Idaho Power Company ("Idaho  
7 Power" or "Company") as the Manager of Regulatory Projects  
8 in the Regulatory Affairs Department.

9 Q. Please describe your educational background.

10 A. In May of 1977, I received a Bachelor of  
11 Science Degree in Mathematics and Computer Science from the  
12 University of Idaho. From 1994 through 1996, I was a  
13 graduate student in the Executive MBA program of Colorado  
14 State University. Over the years, I have attended numerous  
15 industry conferences and training sessions, including  
16 Edison Electric Institute's "Electric Rates Advanced  
17 Course."

18 Q. Please describe your work experience with  
19 Idaho Power.

20 A. I began my employment with Idaho Power in  
21 1977. During my career, I have worked in several  
22 departments of the Company and subsidiaries of IDACORP,  
23 Inc., including Systems Development, Demand Planning,  
24 Strategic Planning and IDACORP Solutions. From 1981 to  
25 1988, I worked as a Rate Analyst in the Rates and Planning

1 Department where I was responsible for the preparation of  
2 electric rate design studies and bill frequency analyses.  
3 I was also responsible for the validation and analysis of  
4 the load research data used for cost-of-service  
5 allocations.

6 From 1988 through 1991, I worked in Demand Planning  
7 and was responsible for the load research and load  
8 forecasting functions of the Company, including sample  
9 design, implementation, data retrieval, analysis, and  
10 reporting. I was responsible for the preparation of the  
11 five-year and 20-year load forecasts used in revenue  
12 projections and resource plans as well as the presentation  
13 of these forecasts to the public and regulatory  
14 commissions.

15 From 1991 through 1998, I worked in Strategic  
16 Planning. As a Strategic Planning Associate, I coordinated  
17 the complex efforts of acquiring Prairie Power Cooperative,  
18 the first acquisition of its kind for the Company in 40  
19 years. From 1996 to 1998, as a part of a Strategic  
20 Planning initiative, I helped develop and provide two-way  
21 communication between customers and energy providers using  
22 advanced computer technologies and telecommunications.

23 From 1998 to 2000, I was a General Manager of  
24 IDACORP Solutions, a subsidiary of IDACORP, Inc., reporting  
25 to the Vice President of Marketing. I was directly

1 responsible for the direction and management of the  
2 Commercial & Industrial Business Solutions division.

3 In 2001, I returned to the Regulatory Affairs  
4 Department and worked on special projects related to  
5 deregulation, the Company's Integrated Resource Plan, and  
6 filings with both the Idaho Public Utilities Commission  
7 ("Commission" or "IPUC") and the Public Utility Commission  
8 of Oregon.

9 In 2008, I was promoted to the position of Manager  
10 of Rate Design for Idaho Power. In that position, I was  
11 responsible for the management of the rate design  
12 strategies of the Company as well as the oversight of all  
13 tariff administration.

14 In January of 2012, I became the Manager of  
15 Regulatory Projects for Idaho Power, which is my current  
16 position. In this position, I provide the regulatory  
17 support for many of the large individual projects and  
18 issues currently facing the Company. I provided the  
19 regulatory support for the inclusion of the Langley Gulch  
20 power plant investment in rate base, supported the  
21 Company's efforts to address numerous issues involving  
22 Qualifying Facilities ("QF") as defined under the Public  
23 Utility Regulatory Policies Act of 1978 ("PURPA"),  
24 including the Company's efforts in Case No. GNR-E-11-03,  
25 the review of PURPA QF contract provisions. I provided

1 direct testimony for the Company in its Idaho application  
2 for a Certificate of Public Convenience and Necessity  
3 ("CPCN") for the investment in selective catalytic  
4 reduction controls on Jim Bridger Units 3 and 4, IPUC Case  
5 No. IPC-E-13-16, the Company's request to implement solar  
6 integration rates and charges based upon the initial 2014  
7 Study, IPUC Case No. IPC-E-14-18, as well as the Idaho case  
8 to update those integration costs with the 2016 Study, IPUC  
9 Case No. IPC-E-16-11.

10 Q. What is the purpose of your testimony in this  
11 matter?

12 A. The purpose of my testimony is to provide an  
13 overview of the Company's case and its request, pursuant to  
14 *Idaho Code* §§ 61-508 and 61-526, that the Commission find  
15 it to be in the public convenience and necessity that Idaho  
16 Power construct a new 138 kilovolt ("kV") transmission line  
17 and related facilities to provide a redundant source of  
18 energy into the northern portion of the Wood River Valley  
19 north of East Fork Road, including the communities of  
20 Ketchum and Sun Valley and portions of Blaine County  
21 ("North Valley"). The North Valley is currently supplied  
22 by a 54-year-old, single-source radial line that  
23 experiences sustained outage line events, which are  
24 projected to increase in frequency. The North Valley is

25

1 the second largest load center in Idaho Power's service  
2 territory served by one radial transmission line.

3 The proposed facilities are necessary and required  
4 in order to continue providing reliable and adequate  
5 electricity to Idaho Power's customers in the North Valley.

6 **I. OVERVIEW**

7 Q. Please provide an overview of the Company's  
8 case.

9 A. In this case, the Company will support its  
10 request for a CPCN by discussing Idaho Power's need to  
11 construct a new transmission line in the Wood River Valley,  
12 providing background information including extensive public  
13 and community outreach and involvement, and discussing the  
14 various redundant service alternatives considered and line  
15 route options that support the request in this case. In  
16 his direct testimony, Company witness David Angell will  
17 discuss why the Company must construct facilities between  
18 the substations in Hailey and Ketchum to meet its  
19 continuing obligation to serve customers located in the  
20 North Valley. He will also discuss the Company's long  
21 history of planning for a second transmission line and the  
22 cooperative efforts taken between Idaho Power and the  
23 people in the communities of Sun Valley, Ketchum, and  
24 Blaine County. This collaborative process was intended to  
25 find agreement on the purpose and need for a redundant

1 source of energy and to determine the scope and feasibility  
2 of a route that could be obtained and permitted.

3 Mr. Angell will discuss a number of construction  
4 configurations the Company considered, both standard  
5 practice and non-standard, to provide redundant service to  
6 the North Valley, ultimately determining three viable  
7 construction configurations for further analysis, which he  
8 provided to Company witness Ryan Adelman. Mr. Adelman's  
9 direct testimony will detail the costs, benefits, and  
10 detriments of each of the viable construction  
11 configurations, as well as providing cost estimates on  
12 three additional options for one specific construction  
13 configuration. Mr. Adelman concludes by identifying both  
14 the Company's standard practice construction configuration  
15 for building a redundant electrical solution, given the  
16 cost estimates and the constraints of the North Valley, as  
17 well as an economically equivalent alternative route, which  
18 is the route for which the Company is requesting a CPCN be  
19 issued.

20 Q. What were the three viable construction  
21 configurations for providing redundant service to the North  
22 Valley?

23 A. As more fully described in Mr. Adelman's  
24 testimony, the three redundant service construction  
25 configurations were identified as: (1) Underground

1 Transmission, (2) Overhead Distribution, and (3)  
2 Underground Distribution.

3 Q. Which construction configuration did the  
4 Company determine as the economic base case for providing  
5 redundant service to the North Valley?

6 A. As described in Mr. Adelman's testimony, the  
7 Overhead Distribution construction configuration was the  
8 lowest-cost viable alternative, as well as the traditional  
9 or standard practice for providing redundant electrical  
10 service to an area and therefore became the basis for  
11 comparison of other construction configurations.

12 Q. Would the Overhead Distribution base case be  
13 considered one of the typical or standard construction  
14 configurations applied by the Company when addressing the  
15 need for redundant electrical service?

16 A. Yes. Based on discussion with Mr. Angell and  
17 Mr. Adelman, the Company's traditional practice to reduce  
18 the likelihood of sustained outages would be to construct  
19 multiple overhead transmission lines (a redundant  
20 transmission source) or to implement distribution circuits  
21 with tie switches in order to continue providing customers  
22 with reliable electric service. The Overhead Distribution  
23 base case meets these criteria. However, while the  
24 Overhead Distribution construction configuration was the  
25 lowest-cost viable solution and would provide redundant

1 service to the North Valley, there would be some challenges  
2 for the actual construction of this route, the land  
3 acquisition required for the substation and other  
4 facilities, and aesthetic concerns that warranted a look at  
5 other alternatives. More specifically, ordinances in  
6 Ketchum and Sun Valley requiring that all new electrical  
7 facilities be constructed underground would make it more  
8 difficult to construct overhead distribution lines because  
9 of the communities' concern of visual impact on the area.

10           The Underground Transmission construction  
11 configuration, with a similar range in cost estimates to  
12 the lowest-cost Overhead Distribution base case, would also  
13 provide redundant service. In addition, the Underground  
14 Transmission construction configuration would provide  
15 additional capacity, enabling future growth within the  
16 area. The range in estimated costs for the Underground  
17 Transmission construction configuration was dependent on  
18 the location of the transition point from overhead-to-  
19 underground transmission. The further along the path that  
20 construction can remain above ground reduces the overall  
21 total cost of the project. As described in Mr. Adelman's  
22 testimony, three separate options to the Underground  
23 Transmission construction configuration, with varying  
24 overhead-to-underground transition points ("TP"), were  
25 analyzed further: TP1, near the intersection of Elkhorn

1 Road and Highway 75; TP2, near the intersection of Hospital  
2 Drive and Highway 75; and TP3, near the intersection of Owl  
3 Rock Road and Highway 75. The TP1 option, near the  
4 intersection of Elkhorn Road, resulted in the lowest-cost  
5 estimate for the Underground Transmission construction  
6 configuration. The cost estimate for the TP1 option was  
7 essentially equivalent to the lowest-cost estimate of the  
8 Overhead Distribution base case.

9 Q. Is the TP1 route, at Elkhorn Road, the option  
10 for which the Company is requesting a CPCN?

11 A. Yes. The Company's request is for the  
12 Commission to find that the present and future public  
13 convenience and necessity require the construction of a new  
14 138 kV transmission line and related facilities to provide  
15 a redundant source of energy into the North Valley. Both  
16 of the viable options require the construction of a new  
17 overhead 138 kV transmission line from the Wood River  
18 station to a location near the intersection of Highway 75  
19 and Owl Rock Road, referred to as the Common Route. From  
20 that point north, either the TP1 option or the Overhead  
21 Distribution base case would provide the necessary  
22 facilities to provide a redundant source of energy to the  
23 North Valley, and are both economically equivalent.  
24 However, the TP1 option will provide additional stability  
25 over time as it will allow for future growth in customer

1 demand. The Underground Transmission construction  
2 configuration would provide full redundant capacity of the  
3 existing 138 kV transmission line and would support a  
4 build-out demand in the North Valley area of 120 megawatts  
5 ("MW"). The line would provide the ability to de-energize  
6 any section of either transmission line for maintenance,  
7 inspection, repair, or reconstruction, without customer  
8 interruption. The construction of the Underground  
9 Transmission TP1 option is the Company's requested route  
10 for the Commission's CPCN consideration.

## 11 **II. FUNDING ALTERNATIVES**

12 Q. Would the other Underground Transmission  
13 options also provide the same benefits as the TP1 option?

14 A. Yes, however, at incrementally greater cost.  
15 The estimated cost for TP2 is an additional \$2.7 million at  
16 \$32.7 million and TP3 is an additional \$5.7 million over  
17 the Overhead Distribution base case at \$35.7 million.

18 Q. Were all communities in agreement with the  
19 selection of TP1?

20 A. No. There was interest expressed in putting  
21 as much of the redundant line underground as possible;  
22 however, representatives for the communities were concerned  
23 about the need to pay for the incremental costs for the  
24 additional underground transmission line through a Local  
25 Improvement District ("LID"), which would assess the

1 additional dollars based upon the North Valley property  
2 values. The Community Advisory Committee ("CAC") was  
3 concerned that it would be very difficult to get an LID  
4 approved.

5 Q. Did anyone in the community suggest that the  
6 line should be placed underground regardless of the  
7 location and cost?

8 A. At first, some members of the CAC suggested  
9 that there should not be any incremental costs because of  
10 the city ordinances restricting new overhead construction.

11 Q. What was Idaho Power's response to the  
12 assertion that local communities should not be required to  
13 fund the incremental costs of non-standard designs?

14 A. Idaho Power explained to the CAC that the  
15 Company is obligated to build its infrastructure in the  
16 most cost-effective manner possible. Idaho Power develops  
17 transmission project designs throughout its service  
18 territory that provide the least-cost solution while  
19 adhering to consistent standards for service and that the  
20 IPUC allows recovery of those reasonably incurred costs.  
21 To the extent that customers or communities desire the  
22 Company to pursue alternate designs, such as underground  
23 transmission at a higher cost, it is the Company's  
24 position, as previously supported by the IPUC,<sup>1</sup> that the

---

<sup>1</sup>Case No. IPC-E-04-04, Order No. 29634.

1 customers requesting and benefiting from the alternate  
2 design are responsible for the incremental cost  
3 differential between the lowest-cost standard practice  
4 option and the desired option.

5 Q. What was the CAC's response to the Company's  
6 position that the incremental costs should be recovered  
7 from the North Valley community?

8 A. The CAC was still concerned that it may not be  
9 possible to get an LID approved and asked if the Company  
10 would consider adding the incremental costs as a surcharge  
11 to the customers' electric bills. The Company is not  
12 generally in favor of collecting additional costs related  
13 to meeting the preferences of a community on customers'  
14 electric bills, and at first resisted. However, in an  
15 attempt to reach a compromise and begin construction on a  
16 much-needed project, the Company reconsidered its position.

17 Q. What was the result of the Company's  
18 reconsideration?

19 A. In looking at the three transition-point  
20 options for the Underground Transmission construction  
21 configuration, the Company considered possible funding  
22 arrangements. The funding options are summarized in the  
23 following table:

24

25

1

**Table 1: Transition Point Funding Options**

Underground Transition Point	Total Cost Estimate	Incremental Cost	Collection Method	Surcharge Rate/Duration
TP1 - Elkhorn Road	\$30.0 M	\$0.0 M	N/A	N/A
TP2 - Hospital Drive	\$32.7 M	\$2.7 M	Surcharge/Franchise Fee	3%/~10 years
TP3 - Owl Rock Road	\$35.7 M	\$5.7 M	LID	

2

3

Q. Please explain the table above.

4

A. For the three transition point options for the

5

Underground Transmission construction configuration, TP1,

6

TP2, and TP3, the incremental cost ranges from \$0.0 to \$5.7

7

million. If the local jurisdictions supported the TP1

8

option, there would be no incremental costs above the

9

lowest-cost economic base case; therefore, no additional

10

incremental costs would need to be recovered from the North

11

Valley residents. However, if the community's choice was

12

for either of the other two transition point options, the

13

additional incremental costs would need to be recovered

14

from the customers directly benefiting from the redundant

15

facilities. The Company proposed that if the third option

16

was chosen, the incremental costs of \$5.7 million were of

17

sufficient magnitude that they should not be recovered as a

18

surcharge on customers' electric bills, but should be

19

recovered through an LID, as had been suggested before.

20

However, if the community wanted option TP2, with the

21

underground transition point at Hospital Drive, the

1 incremental costs would be approximately \$2.7 million above  
2 the economic base case. The Company agreed that if the  
3 communities chose this option for the transition point of  
4 the Underground Transmission line, the Company would add a  
5 3 percent surcharge to the North Valley customers' bills,  
6 with the caveat that any city franchise fee was first fully  
7 executed.

8 Q. What does fully executing a franchise fee mean  
9 in this situation?

10 A. For Blaine County, for which a franchise fee  
11 is not applicable,<sup>2</sup> and for the City of Ketchum, which  
12 already has a franchise fee at the maximum rate of 3  
13 percent, the Company would add an additional 3 percent  
14 surcharge to the customers' bills. However, for the City  
15 of Sun Valley, which has a franchise fee agreement that is  
16 currently set at 0 percent, the Company requested that the  
17 city raise its franchise fee to the maximum of 3 percent in  
18 order to collect its respective share of the total  
19 incremental cost of the TP2 option.

20 Q. Did the Company communicate these options to  
21 the respective communities?

22 A. Yes. I have attached as Exhibit No. 1 copies  
23 of three letters that Idaho Power sent to the  
24 jurisdictions, as well as to Commission Staff, on May 19,

---

<sup>2</sup> Franchise fees are levied by municipalities; therefore, it is not possible for Blaine County to implement a franchise fee.

1 August 5, and August 31, 2016. These letters evidence the  
2 most recent outreach by Idaho Power to the jurisdictions in  
3 an attempt to reach a compromise or consensus regarding the  
4 redundant line into the North Valley. The May 19, 2016,  
5 letter invites the jurisdictions to a "pre-filing  
6 settlement conference" and states that prior to making a  
7 formal filing with the IPUC that the Company would like to  
8 meet and update the parties regarding current routing  
9 options and cost estimates and to discuss the parties'  
10 respective positions in anticipation of an eventual IPUC  
11 filing. The parties met, in response to this letter, on  
12 May 31, 2016. While the discussions were productive in  
13 establishing a common understanding of the various  
14 positions taken by the respective stakeholder groups, no  
15 compromise was reached.

16 At the conclusion of the May 31, 2016, meeting, the  
17 jurisdictions agreed to conduct public meetings and  
18 consider the route and cost options for the Hailey to  
19 Ketchum redundant transmission line prior to the end of  
20 August. Company representatives met again on August 3,  
21 2016, with Sun Valley Mayor Peter Hendricks and staff,  
22 Ketchum Mayor Nina Jones and staff, and Blaine County  
23 Commissioner Lawrence Schoen and staff to answer any  
24 additional questions or concerns. The Company also met  
25 individually with a few of the larger customers in the area

1 who might be most impacted by a 3 percent surcharge,  
2 including the Sun Valley Company and St. Luke's Hospital.

3 In the August 5, 2016, letter, Idaho Power  
4 communicated the offer described above that outlined the  
5 associated estimated cost of the three different overhead-  
6 to-underground transition points and offered that the  
7 Company would consider agreement to a surcharge option for  
8 the incremental cost associated with TP2. On August 18,  
9 2016, the Company attended and presented at a Ketchum town  
10 hall meeting to inform the public of the need for the  
11 redundant source of energy and the estimated costs of the  
12 various options.

13 Q. What was the response to the Company's  
14 proposed options detailed in Table 1?

15 A. In general, the jurisdictions were  
16 appreciative of the Company's consideration of alternative  
17 funding arrangements. Specifically, there was  
18 acknowledgement of the TP1 option with no incremental costs  
19 and the Company's willingness to recover the incremental  
20 costs associated with TP2 through a surcharge.

21 Q. Do all the jurisdictions support the TP1  
22 option?

23 A. The Company has not received formal  
24 notification from any of the three jurisdictions in  
25 opposition to the TP1 option. In order to get a

1 confirmation of the positions of the individual  
2 jurisdictions, the Company sent a letter on August 31,  
3 2016, asking for a written indication of their preference  
4 as to the routing and funding of the proposed line by no  
5 later than September 23, 2016. The Company chose that date  
6 because it provided each jurisdiction with an opportunity  
7 to conduct at least one additional decision meeting prior  
8 to providing a response back to the Company. In the  
9 letter, the Company stressed that it believed the  
10 Underground Transmission-TP1 option appropriately balanced  
11 the collective interests of the communities with the  
12 Company's desire to continue to provide safe, reliable  
13 electric service into the future. The Company requested  
14 that the responses from the jurisdictions indicate their  
15 support, or non-opposition to, the preferred construction  
16 configuration (Underground Transmission-TP1).

17 Q. What response did the Company receive from the  
18 individual jurisdictions?

19 A. On September 29, 2016, the Company received a  
20 letter from the City of Sun Valley. In summary, the letter  
21 stated that Sun Valley felt it was thoroughly informed on  
22 the purpose and need for the redundant line, as well as the  
23 impacts of potential routing options. Sun Valley stated  
24 that at the regular City Council meeting of September 1,  
25 2016, the Council unanimously agreed that the redundant

1 line project was necessary and vital for its community and  
2 that the best location at which to underground the line  
3 would be near the intersection of Highway 75 and Elkhorn  
4 Road (the TP1 option).

5 Blaine County did not respond to the Company's  
6 request by the September 23, 2016, deadline. The Company  
7 had previously filed a request for a conditional use permit  
8 ("CUP") which was before the Blaine County Planning and  
9 Zoning Commission ("P&Z"). The P&Z did send out a notice  
10 to the public, and to the members of the Wood River  
11 Citizens' Advisory Committee and contributors to the Wood  
12 River Electrical Plan, inviting them to a public hearing  
13 held on October 13, 2016, where the details of the  
14 transmission line project were discussed. Representatives  
15 from the Company attended the meeting presenting details of  
16 the overall project to the P&Z and answering questions from  
17 the public. A second meeting was scheduled and held on  
18 October 20, 2016, where the communication was just between  
19 the P&Z and Idaho Power, enabling the Company to provide  
20 very specific details on transmission lines versus  
21 distribution lines, the benefits to Hailey area residents,  
22 specifics on the construction process, and details of  
23 structures and routes, etc. The Company updated the P&Z on  
24 the CAC process, the need for the project, estimated costs  
25 of the various alternatives, and took time to review the

1 route, comparing the existing facility infrastructure with  
2 the proposed facilities. A final decision on the CUP is  
3 scheduled for November 10, 2016.

4 Q. What response has the Company received from  
5 the City of Ketchum?

6 A. While the Company has not received any  
7 response from the city directly, Idaho Power is aware that  
8 the City Council met on October 3, 2016. At that meeting,  
9 the Ketchum Energy Advisory Committee ("KEAC") recommended  
10 that the City Council address its concerns to the IPUC and  
11 request that Idaho Power be required to pay for an  
12 independent cost-benefit and reliability analysis of  
13 alternatives to a redundant transmission line. The KEAC  
14 requested that in addition to evaluating local distributed  
15 energy resource and microgrid options, that the city  
16 request consideration of redundant distribution versus  
17 transmission alternatives, which it believes, would allow  
18 for local generation to integrate into the grid north of  
19 the Hailey substation and move directly north, whereas, the  
20 KEAC claims, redundant transmission does not.

21 Q. What is Idaho Power's conclusion from these  
22 responses?

23 A. While the Company is aware of the concerns  
24 raised by the City of Ketchum, the city's representatives  
25 have not provided any viable alternative to the TP1 option.

1 As discussed at length in Mr. Angell's testimony, the  
2 renewable and alternative solutions the City of Ketchum has  
3 suggested are cost prohibitive, with implementation costs  
4 much greater than the Company's proposal. The City of Sun  
5 Valley, as well as many other stakeholders in Blaine  
6 County, have communicated with the Company that they are  
7 supportive of the TP1 option and understand that the  
8 redundant line is needed and necessary for the Company to  
9 continue providing reliable electric service to the North  
10 Valley. The Company's conclusion is that the TP1 option  
11 strikes a reasonable balance between project costs and the  
12 goals of minimizing visual impacts. The Company believes  
13 that the TP1 option appropriately balances the collective  
14 interests of the North Valley communities and stakeholders  
15 with the Company's desire and obligation to continue to  
16 provide safe, reliable electric service into the future.

17 Q. Has the Company received any other input from  
18 community members regarding the August 5, 2016, proposal?

19 A. Yes. Since the May meeting, a number of  
20 stakeholders from the jurisdictions expressed a preference  
21 for TP1, the Elkhorn Road underground transmission line  
22 option, with zero incremental costs above the economic base  
23 case and no need for additional local funding. The TP1  
24 option appears to strike a reasonable balance between the

25

1 overall project cost and the goal of minimizing adverse  
2 visual impacts for the North Valley area.

3 **III. REQUEST SUMMARY**

4 Q. Please provide a summary of the Company's  
5 request.

6 A. Idaho Power serves over 9,100 customers in the  
7 North Valley with a winter peak load of more than 60 MW.  
8 Electricity for the North Valley area is supplied by a  
9 single, 12.4 mile, 138 kV transmission line constructed in  
10 1962 with wooden towers. Access to repair the line is  
11 impeded by residential development. Rough and mountainous  
12 terrain that limits vehicle access impedes equipment set-up  
13 and contributes to avalanche threats, all of which results  
14 in extended repair times. The existing line's access  
15 limitations are likely to result in sustained outages, with  
16 the potential for an extended outage being catastrophic,  
17 not only from the economic loss of the area, but the  
18 additional damage that may be caused by water pipes  
19 freezing. It is estimated that reconstruction of the  
20 current line to replace existing wood structures with steel  
21 structures would require numerous eight-hour line outages,  
22 with the replacement of the line conductor requiring a six  
23 to 12-week continuous outage. Another source of  
24 electricity to serve the customers of the Ketchum and

25

1 Elkhorn substations would be required during the  
2 reconstruction period.

3           The Company has worked collaboratively for more than  
4 a decade with the Wood River CAC to develop the Wood River  
5 Valley Electrical Plan ("WREP"), a comprehensive plan for  
6 future transmission facilities in the Wood River Valley,  
7 including the North Valley area. The result was a plan  
8 that recommended Idaho Power move forward with a series of  
9 projects, including: (1) construction of a North Valley  
10 project and (2) construction of a third 138 kV line in the  
11 south valley. The Company is in the process of  
12 constructing the south valley portion of the overall plan,  
13 with the planned completion date in 2017.

14           The North Valley area presents a number of  
15 challenges for the Company's traditional practices for  
16 providing customers reliable electric service.  
17 Traditionally, the Company would reduce the likelihood of  
18 sustained outages by constructing multiple transmission  
19 lines or implementing distribution circuits with tie  
20 switches. But the North Valley is congested due to  
21 numerous residences and businesses sited in a valley which  
22 is less than one mile wide with mountains of steep slopes  
23 and narrow roadways. In addition, the cities in the valley  
24 have approved ordinances limiting development along the  
25 mountains and restricting certain development for aesthetic

1 reasons, requiring new electrical facilities in Ketchum and  
2 Sun Valley to be located underground.

3 A number of redundant service options were proposed  
4 by the WREP and analyzed by the Company, with the Overhead  
5 Distribution base case being determined as the lowest-cost  
6 viable option. The Overhead Distribution construction  
7 configuration became the Company's economic base case at an  
8 estimated cost of \$30 million, based on conceptual design  
9 level estimates, including a 30 percent contingency.

10 With constraints on overhead construction in the  
11 Wood River Valley, the Company also considered the  
12 Underground Transmission option with the overhead-to-  
13 underground transition point being located near the  
14 intersection of Elkhorn Road and Highway 75. The total  
15 construction cost estimate for TP1 option is also \$30  
16 million, making it an economic alternative to the Company's  
17 base case.

18 The Company compared this economic base case to the  
19 Underground Transmission construction configuration with  
20 the TP1 option, which is economically equivalent with an  
21 estimated construction cost of \$30 million. In comparison,  
22 the TP1 option will provide additional stability over time  
23 as it would allow for future growth in customer demand.  
24 The Underground Transmission construction configuration  
25 would provide full redundant capacity of the existing 138

1 kV transmission line and would support a build-out demand  
2 in the North Valley area of 120 MW. The line would provide  
3 the ability to de-energize any section of either  
4 transmission line for maintenance, inspection, repair, or  
5 reconstruction, without customer interruption. The TP1  
6 option appears to strike a reasonable balance between the  
7 overall project cost and the goal of minimizing adverse  
8 visual impacts for the North Valley area.

9           The Company has two compelling reasons that now  
10 require the construction of this 138 kV transmission line:  
11 (1) the increased reliability provided by the redundant  
12 source of energy and (2) the need to reconstruct the  
13 existing and aging 138 kV radial transmission line without  
14 long-term disruption of service to the North Valley. The  
15 Company has demonstrated the need for the redundant line,  
16 has worked collaboratively with the North Valley community,  
17 evaluated numerous alternatives to the viable solutions,  
18 and has concluded with an economic alternative to the  
19 lowest-cost option.

20           Q.       What is the Company specifically requesting  
21 the Commission provide?

22           A.       Idaho Power respectfully requests that the  
23 Commission issue an order: (1) specifically finding that  
24 the present and future public convenience and necessity  
25 requires the construction of a new 138 kV transmission line

1 and related facilities to provide redundant service from  
2 the Wood River substation, near Hailey, into the Ketchum  
3 substation and (2) specifically granting the Company a  
4 Certificate of Public Convenience and Necessity for the  
5 construction of such line and facilities identified herein  
6 as Underground Transmission-TP1.

7 Q. Is the Company, at this time, requesting a  
8 rate adjustment for recovery of the construction cost  
9 estimate of \$30 million for the TP1 option?

10 A. No, the Company is not seeking any specific  
11 rate recovery for the facilities involved herein at this  
12 time, and will do so in a proper rate recovery proceeding  
13 in the future.

14 Q. Does this conclude your testimony?

15 A. Yes, it does.

16

17

18

19

20

21

22

23

24

25



**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-16-28**

**IDAHO POWER COMPANY**

**YOUNGBLOOD, DI  
TESTIMONY**

**EXHIBIT NO. 1**



**DONOVAN E. WALKER**  
Lead Counsel  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

May 19, 2016

**VIA E-MAIL ONLY**

Jill S. Holinka  
Moore Smith Buxton & Turcke  
Legal Counsel, City of Ketchum  
950 West Bannock Street, Suite 520  
Boise, Idaho 83702  
[jsh@msbtlaw.com](mailto:jsh@msbtlaw.com)

Timothy K. Graves  
Chief Deputy, Blaine County  
Prosecuting Attorney's Office  
219 1<sup>st</sup> Avenue South, Suite 201  
Hailey, Idaho 83333  
[tgraves@co.blaine.id.us](mailto:tgraves@co.blaine.id.us)

Frederick C. Allington  
Interim City Attorney  
City of Sun Valley  
115 Second Avenue South  
Hailey, Idaho 83333  
[fcallington@gmail.com](mailto:fcallington@gmail.com)

Donald L. Howell, II  
Lead Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[don.howell@puc.idaho.gov](mailto:don.howell@puc.idaho.gov)

Nina Jones  
Mayor, City of Ketchum  
480 East Avenue North  
P.O. Box 2315  
Ketchum, Idaho 93340  
[mayorsoffice@ketchumidaho.org](mailto:mayorsoffice@ketchumidaho.org)

Lawrence Schoen  
Commissioner, Blaine County  
219 1<sup>st</sup> Avenue South, Suite 208  
Hailey, Idaho 83333  
[lschoen@co.blaine.id.us](mailto:lschoen@co.blaine.id.us)

Peter Hendricks  
Mayor, City of Sun Valley  
81 Elkhorn Road  
P.O. Box 416  
Sun Valley, Idaho 83353  
[phendricks@svidaho.org](mailto:phendricks@svidaho.org)

Randy Lobb  
Utilities Division Administrator  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[randy.lobb@puc.idaho.gov](mailto:randy.lobb@puc.idaho.gov)

1221 W. Idaho St. (83702)  
P.O. Box 70  
Boise, ID 83707

Wood River Valley  
May 19, 2016  
Page 2 of 3

Re: Settlement Conference Regarding the Construction and Funding of the  
Hailey to Ketchum Transmission Line

Dear Parties:

Idaho Power Company ("Idaho Power") would like all parties to attend a formal settlement conference to attempt to reach resolution regarding the siting, construction, and funding of the planned secondary source for energy delivery to the northern portion of the Wood River Valley ("North Valley"). Idaho Power proposes this settlement conference be held on May 31, 2016. This is the first available date that the required Idaho Power personnel are available. I hope this date is workable for everyone. If not, please contact me directly so that we can adjust the date to accommodate schedules. Idaho Power would be happy to host the settlement conference either at its corporate headquarters in Boise, at its Hailey Operations Center, or at any other location most convenient to the parties. For the past 30 years there has been an increasing need to improve the reliability and quality of service provided by the current transmission line into the North Valley, between Hailey and Ketchum. At this conference we have an opportunity to come together and resolve the remaining issues regarding the line prior to any filings with the Idaho Public Utilities Commission ("IPUC"). Below I provide some background on the present situation.

Idaho Power has spoken and worked with you and/or your respective organizations about the need to construct a secondary source for electric energy to serve the needs of Idaho Power customers in the North Valley. In the simplest terms, the entire North Valley (City of Ketchum, City of Sun Valley, and Blaine County) has been and is currently served by a single source of energy, a radial, 138 kilovolt ("kV") transmission line that connects the Wood River substation, near Hailey, to the Elkhorn and Ketchum substations. This existing line was constructed in 1962 with wood structures. There have been a number of reliability events and concerns with the aging line, and Idaho Power projects significant outages and interruptions of service going forward. The line must be reconstructed.

More importantly, to truly improve the reliability and quality of service to the North Valley, a second, independent source for energy—a second 138 kV transmission line—is required. The second line has been needed and in various stages of planning for approximately 30 years. For various reasons, primary of which is lack of agreement upon siting a new line and the visual impacts of such, Idaho Power has been unable to site and construct this second line into the North Valley. Idaho Power has conducted two Community Advisory Committee ("CAC") proceedings, and various other community outreach efforts regarding a proposed second transmission line. The result of the CAC processes was a recommendation to construct the new 138 kV line overhead, generally along the highway from Hailey until just south of the St. Luke's Medical Center, and then underground through Ketchum to the Ketchum substation. Idaho Power has submitted permit applications for this route.

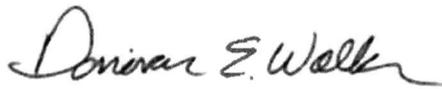
However, the undergrounding of 138 kV transmission facilities is more expensive than standard overhead construction. Because overhead construction costs less and provides the required reliability and service quality improvements, the cost differential resulting from the local requirement to underground the facilities must be borne by the local beneficiaries of such undergrounding, and not by the entire body of Idaho Power customers.

In our last discussions of cost allocation and payment for this incremental cost difference, it appeared that the City of Sun Valley and Blaine County were willing to pay their allocated portion. The City of Ketchum requested that Idaho Power include its allocation as a surcharge for collection on Idaho Power's electric bills. Idaho Power does not agree that this is appropriate, and Ketchum's response is that it would like to hear from the IPUC on the matter before considering any other options. Since that time, Idaho Power has prepared a draft filing to bring this matter to the IPUC for determination. Idaho Power, as referenced above, has also continued to seek the necessary permits for the line, and to refine the possible route configurations and cost estimates.

Prior to making a formal filing with the IPUC, Idaho Power would like affected parties to come together for a formal, pre-filing settlement conference. Idaho Power would like to update all parties with regard to current routing and cost estimates, as well as discuss the draft IPUC filing, and what that process entails. IPUC Staff has been invited to this settlement conference to offer its view and position on the issues. Most importantly, it appears that the parties are close to being able to resolve the issues and solve a long-term and continuing problem that will only get worse if left unattended.

A representative for each entity that has authority to negotiate and make decisions should attend the settlement conference with its own legal counsel, it being understood that any agreements reached may need some further action for approval. Please let me know at your earliest convenience if you are able to attend a conference on May 31, 2016, and your preference for where the conference should be held. I look forward to hearing back from you and hopefully working to a mutually agreeable resolution.

Sincerely,



Donovan E. Walker  
Lead Counsel, Idaho Power Company

DEW:csb

**DONOVAN E. WALKER**  
Lead Counsel  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

August 31, 2016

**VIA E-MAIL ONLY**

Jill S. Holinka  
Moore Smith Buxton & Turcke  
Legal Counsel, City of Ketchum  
950 West Bannock Street, Suite 520  
Boise, Idaho 83702  
[jsh@msbtlaw.com](mailto:jsh@msbtlaw.com)

Nina Jones  
Mayor, City of Ketchum  
480 East Avenue North  
P.O. Box 2315  
Ketchum, Idaho 93340  
[mayorsoffice@ketchumidaho.org](mailto:mayorsoffice@ketchumidaho.org)

Timothy K. Graves  
Chief Deputy, Blaine County  
Prosecuting Attorney's Office  
219 1<sup>st</sup> Avenue South, Suite 201  
Hailey, Idaho 83333  
[tgraves@co.blaine.id.us](mailto:tgraves@co.blaine.id.us)

Lawrence Schoen  
Commissioner, Blaine County  
219 1<sup>st</sup> Avenue South, Suite 208  
Hailey, Idaho 83333  
[lschoen@co.blaine.id.us](mailto:lschoen@co.blaine.id.us)

Frederick C. Allington  
Interim City Attorney  
City of Sun Valley  
115 Second Avenue South  
Hailey, Idaho 83333  
[fcallington@gmail.com](mailto:fcallington@gmail.com)

Peter Hendricks  
Mayor, City of Sun Valley  
81 Elkhorn Road  
P.O. Box 416  
Sun Valley, Idaho 83353  
[phendricks@svidaho.org](mailto:phendricks@svidaho.org)

Karl T. Klein  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[karl.klein@puc.idaho.gov](mailto:karl.klein@puc.idaho.gov)

Randy Lobb  
Utilities Division Administrator  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[randy.lobb@puc.idaho.gov](mailto:randy.lobb@puc.idaho.gov)

Re: Construction and Funding of the Hailey to Ketchum Transmission Line –  
Follow-up after Public Meetings

Dear Parties:

When we met on May 31<sup>st</sup>, the jurisdictions agreed to conduct public meetings and consider the route and cost options for the Hailey to Ketchum Redundant Transmission Line prior to the end of August. Thank you for conducting your public meetings in that timeframe and for allowing Idaho Power's participation in the same.

As we discussed in May, the purpose of these discussions is to see if we could reach agreement on a proposal to present to the Idaho Public Utilities Commission (IPUC) as part of a request for a Certificate of Public Convenience and Necessity related to construction of the redundant line. The purpose of my letter today is to ask for a written indication of your preference as to the routing and funding of the proposed line by no later than September 23, 2016. This chosen date provides each jurisdiction with an opportunity to conduct at least one decision meeting prior to issuing a response to this request.

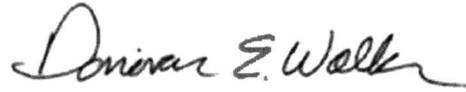
Since our May meeting, a number of stakeholders from the jurisdictions have expressed a preference for the Elkhorn Road underground transmission line option with zero incremental cost and no local funding requirement. The Elkhorn Road underground transmission line option appears to strike a reasonable balance between cost and minimizing visual impacts. We have discussed this option with representatives from the Sun Valley Water and Sewer District, St. Luke's Wood River Medical Center, and Idaho Transportation Department, and based on those discussions, the option appears feasible.

Idaho Power believes that the Elkhorn Road underground transmission line option appropriately balances the collective interests of your communities with our company's desire to continue to provide safe, reliable electric service into the future. Based on that view, Idaho Power's preference is to move forward in pursuit of that construction configuration. We ask that you respond by September 23, 2016, and hope that your response will indicate support, or non-opposition to, this preferred construction configuration.

As discussed previously, Idaho Power intends to make a filing with the IPUC by the end of September/beginning of October and sincerely hopes that we can jointly recommend an option to the IPUC. If there are any comments, questions, or issues please feel free to contact me directly. Thank you for your time and consideration, and I look forward to hearing back from you soon.

Wood River Valley  
August 31, 2016  
Page 3 of 3

Sincerely,

A handwritten signature in black ink that reads "Donovan E. Walker". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail.

Donovan E. Walker  
Lead Counsel, Idaho Power Company

# Hailey to Ketchum Transmission Line Transition Structure Location Options

August 2016



**Options:**

- 1: Elkhorn Road
- 2: Hospital Drive
- 3: Owl Rock Road



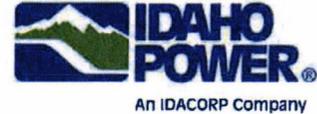
Overhead Transmission



Underground Transmission



Transition Location Varies



**DONOVAN E. WALKER**  
Lead Counsel  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

August 5, 2016

**VIA E-MAIL ONLY**

Jill S. Holinka  
Moore Smith Buxton & Turcke  
Legal Counsel, City of Ketchum  
950 West Bannock Street, Suite 520  
Boise, Idaho 83702  
[jsh@msbtlaw.com](mailto:jsh@msbtlaw.com)

Timothy K. Graves  
Chief Deputy, Blaine County  
Prosecuting Attorney's Office  
219 1<sup>st</sup> Avenue South, Suite 201  
Hailey, Idaho 83333  
[tgraves@co.blaine.id.us](mailto:tgraves@co.blaine.id.us)

Frederick C. Allington  
Interim City Attorney  
City of Sun Valley  
115 Second Avenue South  
Hailey, Idaho 83333  
[fcallington@gmail.com](mailto:fcallington@gmail.com)

Karl T. Klein  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[karl.klein@puc.idaho.gov](mailto:karl.klein@puc.idaho.gov)

Nina Jones  
Mayor, City of Ketchum  
480 East Avenue North  
P.O. Box 2315  
Ketchum, Idaho 93340  
[mayorsoffice@ketchumidaho.org](mailto:mayorsoffice@ketchumidaho.org)

Lawrence Schoen  
Commissioner, Blaine County  
219 1<sup>st</sup> Avenue South, Suite 208  
Hailey, Idaho 83333  
[lschoen@co.blaine.id.us](mailto:lschoen@co.blaine.id.us)

Peter Hendricks  
Mayor, City of Sun Valley  
81 Elkhorn Road  
P.O. Box 416  
Sun Valley, Idaho 83353  
[phendricks@svidaho.org](mailto:phendricks@svidaho.org)

Randy Lobb  
Utilities Division Administrator  
Idaho Public Utilities Commission  
472 West Washington  
P.O. Box 83720  
Boise, Idaho 83720-0074  
[randy.lobb@puc.idaho.gov](mailto:randy.lobb@puc.idaho.gov)

Re: Construction and Funding of the Hailey to Ketchum Transmission Line –  
Follow-up to May 31, 2016, Meeting

Dear Parties:

Thank you for meeting with us and Mr. Howell, representing the Idaho Public Utility Commission (“IPUC”) Staff, on May 31 to discuss the Hailey to Ketchum Redundant Transmission Line. We at Idaho Power remain concerned about the reliability of electric service to the Wood River Valley, north of East Fork Road, and believe a second transmission line is necessary to reduce the risk of extended outages. We appreciate the jurisdictions’ commitment to bring the options we discussed to the public and to identify community preferred options for location and funding by the end of August. Idaho Power is committed to providing support during your public meetings.

During our discussions regarding funding options for the jurisdictions, including at the May 31, 2016, meeting, the City of Ketchum requested that Idaho Power include Ketchum’s allocation of incremental cost difference as a surcharge for collection on Idaho Power’s electric bills. Idaho Power has stated that a surcharge is not a suitable solution. Ketchum’s response has been that it would like to hear from the IPUC on the matter before considering any other options. Because of the unique circumstances presented in the North Valley, and because we are now so close to solving this long term problem, in the hope that we can reach agreement with the jurisdictions as to funding, Idaho Power has reconsidered its position regarding a surcharge. The Company has heard and understands the requests for a surcharge, and after much further deliberation would be willing to agree, under certain circumstances, to a surcharge funding option.

Idaho Power wishes to communicate this information to the jurisdictions, and to clarify the current options in advance of the public meetings. There are currently three options for locating the transition from overhead to underground:

- (1) Elkhorn Road – This option is the northernmost option and would have no incremental cost difference from the typical overhead construction solution. Consequently, there would be no local funding requirement with this option;
- (2) Hospital Drive – This option would locate the transition from overhead to underground directly near the intersection of Hospital Drive and State Highway 75. It would contain an incremental cost above the typical overhead solution of approximately \$2.6 million. Idaho Power would agree that the City of Ketchum and Blaine County could implement a 3% surcharge for approximately 10 years to collect this amount plus cost of financing, and the City of Sun Valley could implement a 3% franchise fee to accomplish the same;
- (3) Owl Rock Road – This is the current southernmost option for the overhead to

underground transition and has an estimated incremental cost above the typical overhead solution of approximately \$5.5 million. This amount is too large for Idaho Power to agree to a surcharge option and each jurisdiction could implement a Local Improvement District ("LID") to collect the amount.

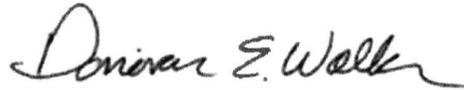
These funding options are summarized in the following table:

Underground Transition Location	Total Cost Estimate*	Incremental Cost*	Collection Method	Surcharge Rate/Duration
Option 1 – Elkhorn Road	\$30.0M	\$0	N/A	N/A
Option 2 – Hospital Drive	\$32.6M	\$2.6M (excluding financing cost)	Surcharge and Franchise Fee	3%/~10 years
Option 3 – Owl Rock Road	\$35.5M	\$5.5M	LID	

\*The costs are based on conceptual level design estimates provided by a third party engineer and may increase or decrease as the final design is refined. Variances may result from securing right-of-way and identifying unique construction conditions.

Idaho Power looks forward to working with you at your upcoming public meetings, and sincerely hopes that we can jointly recommend one of the above three options, along with the jurisdictions, to the IPUC in a September or October filing.

Sincerely,



Donovan E. Walker  
Lead Counsel, Idaho Power Company

Attachment: Map