NEIL PRICE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 6864

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

RECEIVED
2008 SEP 16 PM 3:14
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF THE POPULUS-TO-TERMINAL 345 KV TRANSMISSION LINE PROJECT	**CASE NO. PAC-E-08-03** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure in Order No. 30597 issued on July 18, 2008, submits the following comments.

BACKGROUND

On April 18, 2008, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain Power") submitted to the Commission for an Application for a Certificate of Public Convenience and Necessity (CPCN or certificate) authorizing it to construct a 345 kV Transmission Line, known as Populus-to-Terminal Transmission Line ("Transmission Line") to be located in Bannock and Oneida Counties and a new substation to be located in Downey, Idaho, hereinafter collectively referred to as "the Project."

On April 25, 2008, Rocky Mountain Power filed an Application for a CPCN, pertaining to the portion of the Project to be constructed within the state of Utah, with the Utah Public Service Commission. On September 4, 2008, the Utah Commission issued an Order granting Rocky Mountain's request for a CPCN for the construction and operation of the Project.

APPLICATION

Rocky Mountain's Application states that the Project would extend from an existing substation located southwest of the Salt Lake City International Airport to the new substation in Downey, Idaho. In the supporting testimony of Mr. John Cupparo, Ms. Sharon Seppi, and Mr. Bruce Williams, the Company explains that, due to significant retail load growth over the past decade and anticipated future load growth, it will be unable to continue to provide the delivery of safe, efficient, and reliable electric service to its customers without additional transmission capacity.

The Company states that the Project is necessary in order to meet load growth, add significant incremental transmission capacity between southeast Idaho and northern Utah and strengthen the interconnection to transmission systems feeding Idaho, Wyoming, and the Northwest in general. The transmission line also fulfills a commitment made by the Company to increase its transmission capacity by 300 MW from southeast Idaho service territory to northern Utah, referred to as the "Path C Upgrade." Case No. PAC-E-05-08. The Company projects that the total cost of the Project, including the Utah portion, is approximately $750 million. The Company states that the Project would be operational beginning in 2010.

A new substation (referred to as the "Populus Substation") will be constructed near the existing Jim Bridger 345 kV transmission line corridor in southeast Idaho near the town of Downey. A new double-circuit 345 kV transmission line will be constructed from the Populus Substation to the existing 345 kV Terminal Substation in Salt Lake City, Utah southwest of the Salt Lake International Airport. A map showing the route of the Transmission Line is attached as Exhibit A; minor adjustments to the route may occur during final design. The transmission line will also tie into the existing Ben Lomond Substation in Box Elder County, Utah. Initially, only a 345 kV substation yard will be developed at the Populus Substation and the existing Jim Bridger-Borah, Jim Bridger-Kinport, and Ben Lomond-Borah 345 kV lines will be looped in and out of the Populus Substation. However, the Populus Substation will be configured to facilitate

the addition of planned 345 kV and/or 500 kV transmission lines. The Ben Lomond Substation and Terminal Substation will be expanded to accommodate the new 345 kV transmission lines and termination points.

STAFF ANALYSIS

Staff's review of Rocky Mountain's Application, pursuant to Idaho law, is limited to the following criteria: 1) whether "the present or future public convenience and necessity require or will require construction" of the proposed transmission line and substation; and 2) whether the transmission line will "interfere or be about to interfere with the operation of the line, plant or system of any other public utility already constructed." *Idaho Code* § 61-526.

Staff will not address transmission siting issues as part of these comments. While Staff provides some comment with regard to customer notification and communication during the alignment right of way and permitting process, we do not evaluate the details of that alignment. The siting of transmission lines is under the jurisdiction of local city and county governments.

Based on its extensive review of the Company filing in this case, the Company's IRP, the Idaho Statute regarding Certificates of Public Convenience and Necessity (CPCN) and other relevant information, Staff recommends that the Commission grant PacifiCorp's CPCN request.

Project Need

The Company states that the primary purpose of this project is to add significant incremental transmission capacity between Southeast Idaho and Northern Utah and to further facilitate a stronger interconnection to systems feeding Idaho, Wyoming and the Northwest in general. The Company specifically cites expected load growth in PacifiCorp's service area of 3% per year for the next ten years and a need to improve overall transmission system reliability as justification for the project.

The Company used its 2007 Integrated Resources Plan (IRP) analysis to support its determination that additional transmission capacity was needed. The need for additional transmission capacity results from Company assumptions regarding the location of growing load centers and the type and location of additional resources needed to serve that load. The Company's 2007 IRP identified Northern Utah as an area of future significant load growth to be most appropriately served by renewable wind resources located in Wyoming and Idaho.

Staff reviewed the Company's 2007 IRP in Case No.PAC-E-07-11 filed in May of 2007. In comments filed in that case, Staff said:

> While not endorsing the proposed action plan, Staff believes that Pacificorp has performed extensive analysis, provided sufficient opportunities for public input, and that the end result is representative of the best information available to the Company at the time of preparation.

Staff went on to make note of the increasing potential impact of various state policies on the selection of a preferred portfolio. Staff recommended that the Commission acknowledge the Company's 2007 Integrated Resource Plan and in the Acceptance of Filing document issued on October 15, 2007, the Commission acknowledged the Company's planning process but did not endorse any particular element of the plan nor approve any resources acquisition contained in the plan.

The Company now comes before the Commission requesting a CPCN to construct a transmission line that was an integral part of the preferred resource portfolio proposed by the Company in its 2007 IRP. Staff believes that the information used by the Company to select the preferred portfolio in the 2007 IRP is just as relevant today as it was when the Company made the selection. In fact, Staff believes that underlying resource costs, state mandated resource portfolio standards (RPS) that require the Company to acquire renewable resources coupled with prohibitions and environmental uncertainty associated with coal fired resources make the Company's 2007 preferred portfolio even more reasonable. Since the preferred portfolio was selected, Utah loads have continued to grow, Request for Proposals (RFPs) to acquire wind increasingly point to lower cost wind resources in Wyoming, and transmission between the two points continues to be constrained during peak periods.

As further justification for the project, the Company notes that The Clean and Diversified Energy Advisory Committee of the Western Governors Association, the Rocky Mountain Area Transmission Study (RMATS) group and the U.S. Department of Energy National Transmission Congestion Study have all identified regional and west wide benefits to transmission upgrades in this area.

Finally, the Company points to other reasons that the transmission project is justified on a more local basis. MidAmerican Holdings Company recognized the need for improved

transmission reliability by committing to increase transmission capacity between Idaho and Wyoming as part of its acquisition of Pacificorp. The Company also cites increased flexibility in selecting resources from various geographic locations and providing more options to economically access markets for importing/exporting power. Particularly in conjunction with construction of the proposed Gateway transmission project to the northwest.

While Staff does not dispute that additional transmission could provide increased flexibility and reliability including benefits to others by improving access to generation resources in Wyoming, Staff believes that these reasons cited by the Company are highly assumption driven and too speculative to justify the project on their own. The benefits of improved reliability are difficult to quantify and reliability is always somewhat sacrificed when growing loads are increasingly served by remote resources without additional transmission. Flexibility can be an important asset but building costly transmission in the hope that remote generating resources will be constructed, purchases from extra-regional power markets will be less costly or additional transmission lines will come on line, appears risky.

Therefore, the principal question remains, is construction of a transmission line in conjunction with resources constructed, underway or planned necessary to meet growing load. Staff believes that the additional transmission is necessary given the location of new resources. The Company selected its transmission upgrade as part of a preferred resource portfolio in the 2007 IRP. That portfolio included 2,000 MWs of renewable resources by end of 2013. A significant portion of those renewable resources will come from wind projects in Wyoming. The following projects totaling over 500 MW are all under construction or in the final stages of development:

- Glenrock I (99 MW)
- Glenrock II (39 MW)
- Rolling Hills (99 MW)
- Seven Mile Hill I (99 MW)
- Seven Mile Hill II (19.5 MW)
- High Plains (99 MW)
- McFadden Ridge (88.5 MW)

Staff agrees that transmission between these resources and growing load centers is necessary if the Company hopes to continue providing reliable service.

To justify its decision to construct the proposed project providing 1400 MW of new capacity, the Company states in the application and IPUC Data Request 10 that it looked at and rejected four alternatives which are:

- Alternative 1 – Not to construct new transmission capacity.
- Alternative 2 – Upgrade existing 138 kV transmission lines from Treasureton Substation in Idaho to Syracuse Substation in Utah.
- Alternative 3 – Construct a new single circuit 345 kV transmission line from new Populus Substation in Idaho to Ben Lomond Substation in Utah.
- Alternative 4 – Upgrade other existing paths or seek additional transmission corridors in Utah.

The Company concluded that these alternatives would not provide sufficient capacity to serve growing load given the location of new resources. The Company also recognized that upgrades of existing lines would further reduce transmission capacity while those lines were out of service during construction.

Cost/Benefit Evaluation

While the Company has estimated the project cost at $750 million with an anticipated revenue requirement impact on Idaho of about 3%, it has not requested cost recovery in this case. Staff recognizes that the Populus to Terminal transmission project is part and parcel of an overall resource/delivery plan that links wind resources in Wyoming with growing load centers in Utah. Staff has not attempted in this case to evaluate the prudency of the overall resource plan or the proposed transmission project that constitutes a significant part of that plan. Project completion is not scheduled until 2010 and capacity may not be fully utilized for some time after that. While the Company has compared the costs of various resource alternatives as part of its IRP on a preliminary basis, and has evaluated transmission alternatives on an individual basis, the actual costs subject to recovery from Idaho ratepayers will not be determined until the project is completed, costs are fully known and project utilization is fully quantified.

Customer Notification

Landowners in both Bannock County and Oneida County who own properties adjacent to the Transmission Line corridor were directly notified of the proposed project and open house meetings by an informational flyer that was mailed by Rocky Mountain Power the last week of December 2007. The open house meetings, intended to present information about the project, answer questions, and provide an opportunity for property owners to express their concerns to Company personnel, were noticed in three local newspapers.

The Company has also set up a project specific e-mail address and phone number that is utilized by people who wish to express their concerns. The Company's website is regularly updated with project information. When the Company receives a comment or complaint from a customer, it promptly responds to the customer and addresses their concerns. For example, a citizen group in the Malad area provided valuable feedback, prompting Rocky Mountain Power to determine that a portion of the transmission line route could be relocated to lessen the impact on some of the landowners.

The Commission has received 34 comments and protests regarding transmission line siting and the project notification process. In addition, six complaints were filed with the Commission in the belief that the Commission is responsible for regulating the routing and siting of transmission lines. Most of those individuals objected to transmission lines crossing their property and expressed frustration with regard to the manner in which Rocky Mountain Power notified or failed to notify them.

As of August 29, 2008, Rocky Mountain Power has received communication from 27 Idahoans regarding the transmission project. While not materially effecting a demonstration of need for the project or ultimately effecting the Commission's decision on a CPCN, Staff believes that the process to notify customers of the project and open houses should have occurred earlier than December 2007. Planning for the project began in 2006 and the months selected for this endeavor (December/January) was not conducive for public turnout. Staff recommends that any future project of this nature and magnitude include an earlier notification, which will allow landowners an opportunity to prepare for and attend the open house meetings. Earlier engagement between Rocky Mountain Power, County Commissioners, and other elected officials would also be beneficial, as the elected officials and the County Commissioners will be better prepared to address their constituent's concerns.

THE UTAH CPCN

On September 4, 2008 the Public Service Commission of Utah in Docket No. 08-035-42 issued a Report and Order granting a Certificate of Public Need and Necessity. In its Order granting the certificate, the Utah Commission noted that no party to the case opposed construction of the transmission line and concluded that: "public convenience and necessity does or will require the construction and no evidence has been presented to contradict the testimony of the Company."

STAFF RECOMMENDATION

Staff has thoroughly reviewed Rocky Mountain's Application and related filings in this case. Staff recommends that the Commission issue a Certificate of Public Convenience and Necessity for the construction of the Populus-to-Terminal 345 kV Transmission Line Project. Staff believes that the Project complies with the minimum statutory requirements found in *Idaho Code § 61-526*. Staff bases its recommendation upon the following:

- The Project will facilitate transfer of energy from planned and existing generating resources in Idaho and Wyoming and deliver it to load centers in Utah.
- The Project will improve the reliability of the currently congested transmission system by increasing transmission capacity and the number of transmission pathways.
- The Project will provide flexibility in accessing the most cost effective resources and regional markets. It will also provide a platform for adding additional transmission to increase transfer capacity between east and west control areas in the future.
- The Project will not conflict or affect the operations of any existing certificated fixed public utility providing retail electric service to the public.

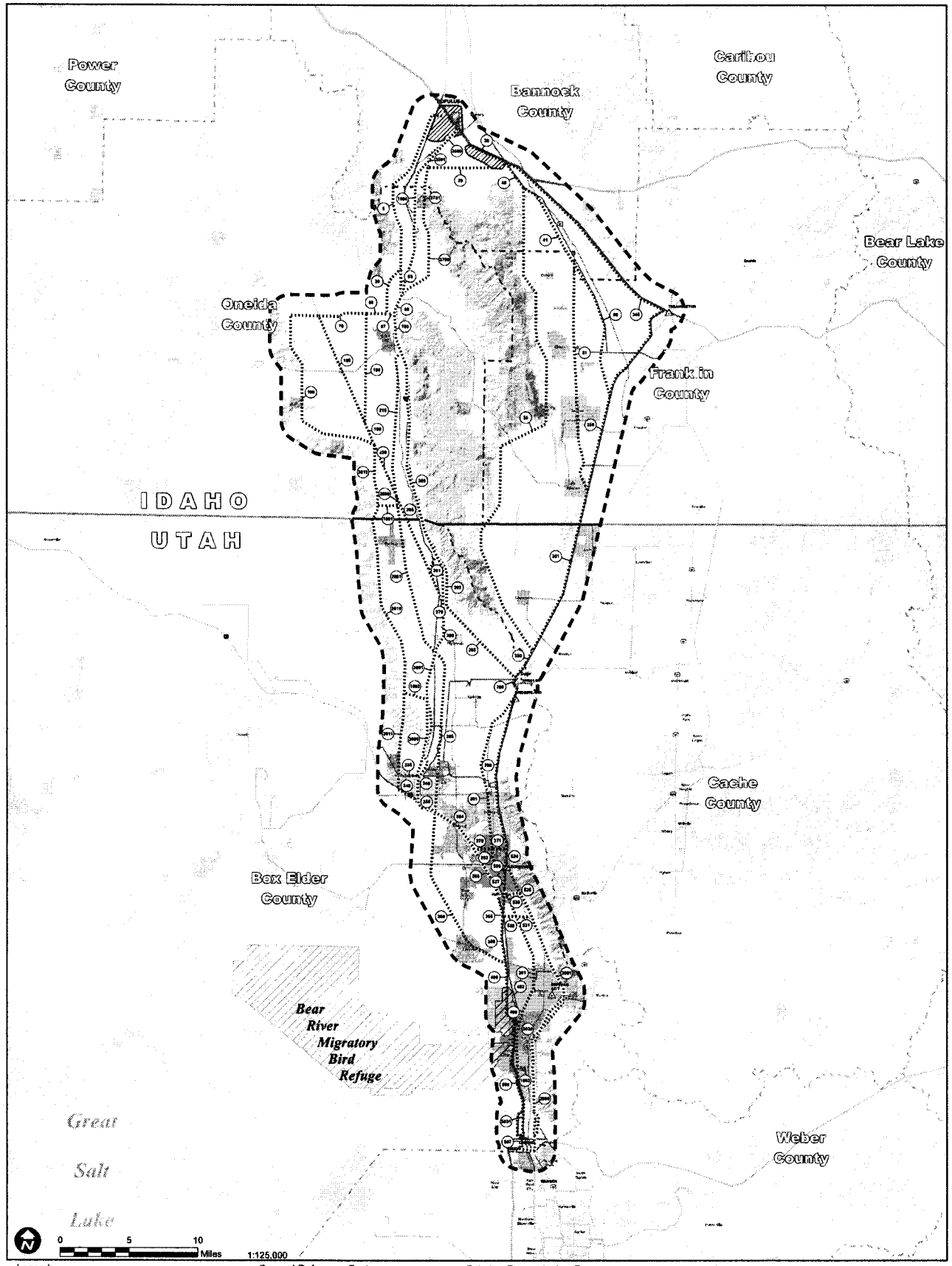
Staff's recommendation supporting the issuance of a CPCN should not be interpreted as an endorsement for any costs incurred by the Company for the construction of the Transmission Line Project. Issues pertaining to the prudency or necessity of those costs for purposes of rate recovery are wholly outside the scope of our review and recommendation.

Respectfully submitted this 16th day of September 2008.

Neil Price
Deputy Attorney General

Technical Staff: Randy Lobb
TJ Golo
Curtis Thaden

i:/umisc/comments/pace08.1nprltjct



SOURCES: Imagery, NAIP 2006; Political Boundaries and Transportation, ESRI; Transmission Lines and Substations, Pacificorp
NOTE: Transmission systems and substation locations are from Pacificorp GIS Department. Information is schematic and does not necessarily represent accurate locations.

September 5, 2008

ROCKY MOUNTAIN POWER

Final Route and Alternative Routes

POPULUS TO BEN LOMOND 345KV ROUTING STUDY

FIGURE 1

Attachment A
Case No. PAC-E-08-3
Staff Comments
09/16/08

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16TH DAY OF SEPTEMBER 2008, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-08-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA SYMONDS
ROCKY MOUNTAIN POWER
1407 WEST NORTH TEMPLE
SALT LAKE CITY UT 84116
E-MAIL: lisa.symonds@pacificorp.com

R JEFF RICHARDS
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: jeff.richards@pacificorp.com

DATA REQUEST RESPONSE CENTER
PACIFICORP
825 NE MULTNOMAH STE 2000
PORTLAND OR 97232
E-MAIL: datarequest@pacificorp.com

SECRETARY