

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-21-25
COMPANY’S PETITION FOR APPROVAL)
OF A CUSTOMER SURCHARGE AND)
MODIFIED LINE ROUTE) ORDER NO. 35452
CONFIGURATION FOR CONSTRUCTION)
OF A NEW 138 kV TRANSMISSION LINE IN)
THE WOOD RIVER VALLEY)
)

On August 6, 2021, Idaho Power Company (“Company”) petitioned (“Petition”) the Commission for an order: 1) approving a proposed surcharge for the Company’s customers in Blaine County to pay for additional undergrounding of a previously approved transmission line; 2) approving the modifications to the line route previously approved in the Certificate of Public Convenience and Necessity (“CPCN”) granted to the Company in Order No. 33872; and 3) finding that the Commission’s findings and directives in Order No. 33872—and this Order—have express authority over any other conflicting agency or local government action or order pursuant to *Idaho Code* § 67-6528. The Company asserted that without the new transmission line a long power outage on the existing transmission line could have significant impact on the northern portion of Blaine County. The Company also asserted the new transmission line would allow it to de-energize the existing transmission line (“Existing Transmission Line”) to make necessary repairs and upgrades to that line safely and efficiently.

In support of the Petition, the Company filed the direct testimony of Ryan N. Adelman, Vice President of Power Supply, to describe the local permitting activities with Blaine County as well as the proposed line route and configuration. The Company also filed the direct testimony of Timothy E. Tatum, Vice President of Regulatory Affairs, to describe the proposed surcharge amounts and calculation methodology. The Company requested that the Commission process its Petition by Modified Procedure.

On October 12, 2021, the Commission issued Notice of the Company’s Petition and Notice of Intervention Deadline. Order No. 35194. The Blaine County Board of County Commissioners (the “County Board”), Kiki Leslie A. Tidwell (“Tidwell”), *pro se*, and Cox Communications (“Cox”) were granted intervention into this case. Order Nos. 35154 and 35225.

On November 30, 2021, the Commission issued Notice of Modified Procedure and set a December 21, 2021, public comment deadline, and a January 11, 2022, Company reply comment deadline. Order No. 35244. Commission Staff (“Staff”), Cox, and Tidwell each submitted comments.¹ The Company filed reply comments. The Commission also received 61 public comments.

With this Order, we approve the Company’s Petition.

PRIOR PROCEEDINGS AND BACKGROUND

The Company states, the north portion of Blaine County (“North County” or “North Valley”), including the cities of Ketchum and Sun Valley, is served by a single power source, the Company’s Wood River-Elkhorn-Ketchum 138 kilovolt (“kV”) transmission line (Existing Transmission Line). The Company first obtained a CPCN in 1974 to build a redundant 138 kV transmission line (“Transmission Line”) beginning just north of the city of Hailey at the Wood River Substation and running approximately 11-13 miles north to a termination point at the Ketchum Substation in North Blaine County (“North Valley” or “North County”). Petition at fn. 1. The Company stated that this CPCN was “canceled in 1995 in part because of public opposition, as well as inability to identify an acceptable route and inability of the local jurisdiction to fund undergrounding.” *Id.*

On April 23, 2014, at the culmination of a seven-year collaborative process between the Company and various stakeholder groups, and prior to obtaining a CPCN, the Company filed for a Conditional Use Permit (“CUP”) with the Blaine County Planning and Zoning Commission (“P&Z”) to build the Transmission Line. *Id.* at 8. P&Z denied the CUP application and the County Board affirmed P&Z’s denial. *Id.* at 9.

On September 15, 2017, the Commission granted the Company a CPCN (“2017 CPCN”) to build the Transmission Line to the North Valley “as requested in the Company’s Application.”² *Id.* at 4 and 10 citing Order No. 33872 at 1. Specifically, as the Company noted, the Commission approved “the Company’s requested route of overhead transmission from the Wood River substation to the transition point near Elkhorn Road, then underground transmission [from Elkhorn Road] to the Ketchum substation” (“2017 CPCN Route” or “CPCN Route”). *Id.* at 5

¹ Tidwell filed two sets of comments, one on December 16, 2021, and the other on January 14, 2022.

² Order No. 33872 also approved the installation of overhead distribution lines from the Wood River Substation to the city of Ketchum. *See* Order No. 33872 at 5, 15-16.

(citing Order No. 33872 at 15).³ In its order granting the 2017 CPCN, the Commission stated it appreciated:

the considerable time and expense that the parties and participants, including local governments, organizations, and citizens, dedicated to providing testimony and comments. The submissions were very well informed and thoughtful and have greatly aided our understanding of the issues in this case. Likewise, we appreciate the Company's efforts to involve the communities in its decision-making processes and to keep the communities informed through the CAC [Community Advisory Committee] processes. We believe those processes were successful, as demonstrated by the high-level of public involvement in this case. We encourage all interested parties to continue to work together on these issues, as there may still be opportunities to find areas of common interest and common ground, notwithstanding the outcome of this proceeding.

Id. at 5 (citing Order No. 33872 at 5). On November 20, 2017, the Company filed a new CUP application with the P&Z to construct the Transmission Line along the route as authorized by the Commission in Order No. 33872. Petition at 11. The Company represented that it worked with the P&Z on: (1) any desired "micro-siting" adjustments for the overhead Transmission Line within the CPCN Route, and (2) on any additional burials of the Transmission Line within the CPCN Route, Blaine County would fund. *Id.* The Company stated the P&Z approved the CUP application for the Transmission Line on January 15, 2019. *Id.* at 12. The Company noted the P&Z did not approve a route for the Transmission Line but provided seven undergrounding options for the Transmission Line and existing distribution lines for the County Board to consider and select from. *Id.*

On June 4, 2019, the County Board granted the Company a CUP ("2019 CUP") with the condition that "the entire [T]ransmission [L]ine be undergrounded from the Wood River Substation north to the City of Ketchum." *Id.* at 12-13. The Company explained that the County Board recognized that obtaining funding to underground the entire line would be difficult, and qualified its grant by stating that discussions regarding funding "should be fully exhausted before any consideration of an overhead transmission line in this area . . . [and that] . . . further consideration and deliberation may be necessary to 'continue to work together on these issues, as there may still be opportunities to find areas of common interest and common ground.'" *Id.* at 13.

³ The Company stated that there would be no incremental cost attributable to local jurisdictions for the 2017 CPCN route. *In the Matter of the Continuation of Idaho Power Company's Application for a Certificate of Public Convenience and Necessity to Construct System Improvements to Secure Adequate and Reliable Service to Customers in the Wood River Valley*, Case No. IPC-E-16-28, Application at 4, 23 (Nov 8, 2016).

The Company explained that to fund the entire undergrounding, the County Board considered various levy override processes, bonding, and a local improvement district but none were considered feasible. *Id.* at 13-14. Consequently, the County Board held three public stakeholder meetings in September 2020 to consider alternative burial options for the Transmission Line. *Id.* at 14; Adelman Direct at 11. The Company participated in each meeting and provided engineering and financial data. *Id.* The Company stated that, after the public meetings, the County Board expressed interest in a partial undergrounding option that contemplated burying the Transmission Line an additional 1.1 miles south from the Elkhorn substation and burying the distribution line along the length of the entire route, from the Wood River Substation to the Ketchum Substation—an option which the Company estimated would cost approximately \$8.4 million. *Id.* at 15.

The Company stated that the County Board requested the Company “consider assessing a new surcharge on all power bills within Blaine County, separate from existing franchise fee assessments, to provide funding for the . . . partial underground option.” *Id.* The Company considered a three percent franchise fee from Blaine County cities as well as a potential three percent billing surcharge within unincorporated Blaine County to pay for the undergrounding. *Id.* The County Board explained it would be difficult for Blaine County cities to divert their established franchise fees for the Transmission Line burial. *Id.* Accordingly, the County Board requested the Company consider assessing a new surcharge on all power bills within Blaine County, separate from existing franchise fee assessments to pay the \$8.4 million undergrounding option. *Id.*

The Company stated it would agree to a maximum surcharge of three percent on a monthly flat fee basis, subject to Commission approval, if the County Board requested it. *Id.* at 15-16. Using 2019 revenues as a baseline, the Company determined a three percent surcharge would fund approximately \$9.1 million of upfront burial costs and financing costs after 20 years. *Id.* at 15. During the fall of 2020, the County Board held stakeholder meetings to solicit public input on the proposed solution. County Board Petition to Intervene at 8. The Company stated that the results of a November 2020 non-scientific public survey of Blaine County residents conducted by the County Board “showed support for the \$8.4 million undergrounding proposal funded by estimated fixed monthly charges, with 57 percent of respondents strongly supporting or somewhat supporting

this option, compared with 31 percent strongly opposing or somewhat opposing the option.” Petition at 16.

After further analysis, the Company advised the County Board that it would be able to extend the Transmission Line burial an additional 1.4 miles south from Elkhorn Road to a point near Owl Rock Road and bury the distribution line the entire length of the route under the same estimated fixed surcharge assessment per customer over an approximately 20-year period (“Owl Rock Road Route”). *Id.* at 7. The Company estimated the total incremental cost of the Owl Rock Road Route to be \$9.8 million, based on a \$5.7 million distribution line burial estimate, and a \$4.1 million Transmission Line burial estimate. *Id.*

The Company represented that it filed an application with the County Board on December 22, 2020, for a CUP approving the Owl Rock Road Route. *Id.* at 17. After the conclusion of two public hearings, the County Board approved the CUP application and issued its Findings of Fact, Conclusions of Law, and Decision on March 15, 2021 (“Final CUP” or “2021 CUP”). *Id.* The Company stated that, “[u]nder the Final CUP, the County Board modified the ‘all underground’ condition for the Transmission Line included in the County Board’s initial June 4, 2019, CUP grant, replacing that condition with the partial underground condition set forth in the Final CUP for the Owl Rock Road Route.”⁴ *Id.*

THE PETITION

The Company seeks Commission approval of the Owl Rock Road Route⁵ and authority to implement a surcharge assessment in Blaine County to pay for the incremental undergrounding and financing costs associated with this route. *Id.* The Company noted that, as compared to the 2017 CPCN Route, the proposed Owl Rock Road Route would cost (1) an additional \$5.7 million to underground the eight miles of existing distribution line along the Transmission Line route; and (2) an additional \$4.1 million to underground the additional 1.4 miles of the Transmission Line south of Elkhorn Road. *Id.* at 19. Thus, the Company clarified that the surcharge was intended to fully recover an estimated \$9.8 million in incremental costs for the additional undergrounding for the Owl Rock Road Route, including interest at the Company’s authorized rate of return over a 20-year collection period. *Id.* The Company requested the surcharge “become effective on the first

⁴ A copy of the Final CUP is attached to Adelman’s Direct Testimony, Exhibit No. 2. Petition at 17.

⁵ The proposed Owl Rock Road Route is attached to Adelman’s Direct Testimony, Exhibit No. 3.

bill date of the month following energization of the facilities (i.e., when the Transmission Line [and distribution lines] become[] ‘used and useful’).” *Id.* at 20.

The Company stated that, after it completed the Transmission Line, “it [would] review the actual total project construction cost for the Owl Rock Road Route as compared to the estimated cost of the [2017] CPCN Route (the incremental cost)” *Id.* The Company further stated it would update the surcharge amounts and seek Commission approval if the surcharge rates needed to be modified. *Id.*

The Company clarified that “[t]he actual incremental cost [would] represent the ‘principal amount’ to be repaid through the surcharge assessments.” *Id.* at 23. The Company further mentioned that “Blaine County [would] have the option to prepay all or part of the outstanding surcharge principal amount at any time.” *Id.* The Company explained that in “the case of partial prepayments, the monthly surcharge assessments [would] remain the same, but the allocation between principal and interest of the surcharge payments [would] be adjusted to reflect Blaine County’s principal prepayment, with a corresponding reduction in the number of surcharge payments remaining under the repayment schedule.” *Id.*

The Company determined that a fixed monthly charge for each customer-by-customer class would be reasonable, easy to understand, predictable, and transparent. *Id.* at 23-24. The Company divided the customer classes into two categories: (1) Residential and Small General Service (“Residential”), and (2) Non-Residential (including large commercial, industrial, and irrigation) (“Non-Residential”). *Id.* at 24. The Company stated that the estimated surcharge for average customers in the Residential category was approximately \$3.42 per month, and \$14.36 per month for average customers in the Non-Residential category. *Id.*

The Company stated that it proposed a new tariff Schedule 96 which provided the estimated surcharge for each customer and that it created a postcard to distribute to all the customers in Blaine County who would be impacted by the surcharge. *Id.* at 24. The customer postcard notice, mailed on August 19, 2021, provided a brief explanation describing the purpose of the proposed surcharge and referenced the opportunity for public comment on the Company’s Petition. The Company included the postcard as Attachment 3 to the Petition. *Id.*

The Company further requested an accounting order authorizing it:

to depreciate the incremental capital costs over the 20-year surcharge period and match the annual depreciation expense with the actual annual principal payment of the incremental capital so that the incremental costs are fully

depreciated over the same time period as the surcharge is collected and ensuring that [its] broader retail customer base is held harmless from a revenue requirement perspective.

Id. at 25. Noting the estimated 20-year surcharge period, the Company stated that “Generally Accepted Accounting Principles require [incremental capital costs] to be depreciated over the lives of the related assets, which, in the Company’s current approved depreciation rates, average more than 50 years.” *Id.* Thus, the Company stated without an accounting order there would be disjunction between the timing of surcharge revenues and the related depreciation expenses. *Id.*

The Company submitted that accounting for the incremental capital costs would comply with all Federal Energy Regulatory Commission (“FERC”) regulations, and that it performed all calculations to ensure that the surcharge revenue fully covered the incremental cost. *Id.* at 25-26.

The Company noted that, pursuant to statute, the Commission has the ultimate authority for determining whether the public interest, convenience, and necessity requires the construction of certain facilities. *Id.* The Company cited to *Idaho Code* § 67-6528 for the proposition that “land use actions or orders of other government agencies or local governments that are in conflict with an order of the Commission are null and void.” *Id.*

The Company mentioned that after the Commission granted the 2017 CPCN, some parties averred that the Commission’s CPCN had no authority over conflicting local land use decisions because the order granting the CPCN lacked any specific reference or findings to the same. *Id.* at 27. While the Company disagreed with that contention, it requested the Commission:

make specific findings in its Order in this matter that its directives to [the Company] pursuant to the CPCN, and pursuant to the requests in this Petition, to construct a second 138 kV transmission line as being necessary and in the public interest in order to provide adequate and reliable electric service to the North Valley and to promote public health, safety and convenience, carries with it the express authority over any action or order of other government agencies or local governments that are in conflict with such orders of the Commission pursuant to Idaho Code § 67-6528.

Id. at 27.

STAFF COMMENTS

Staff reviewed the Company’s Petition, the filed testimony and exhibits, the Company’s proposed surcharge and tariff schedule for Blaine County customers, and the Company’s responses to Production Requests. Staff believed the surcharge proposal was “the least

consequential impact on the general body of rate payers,” and recommended Commission approval. Staff Comments at 3.

1. Line Modifications

Staff noted that the Final CUP from the County Board modified the “all underground” requirement of the 2019 CUP. *Id.* at 4.

Staff believed the current cost estimates for the 2017 CPCN Route and the Owl Rock Road Route were acceptable for purposes of determining the proposed surcharge rates. *Id.* at 4. However, because the difference between the actual construction cost of the Owl Rock Road Route and the final construction cost estimate for the 2017 CPCN Route would determine the amount recovered through the surcharge to pay for the incremental undergrounding of the Transmission Line, Staff “recommended that the Company submit the final estimate for the [Owl Rock Road] Route and the final project cost to the Commission no more than 6 months after the project has been completed.” *Id.* Staff stated this would allow the Commission to determine the operational prudence of the project and whether the surcharge rate needed to be adjusted. *Id.*

Staff noted that, because the Company planned to continue the surcharge until the incremental cost—including financing costs—of the Owl Rock Road Route was recovered, the accuracy of the current cost estimates for determining the rates was not critical to calculating the initial surcharge rate. *Id.* at 5. Staff noted that the Company’s most recent cost estimates—completed in August 2019—for the CPCN Route and the Owl Rock Road Route were reasonable.

Staff reiterated that vetting the accuracy of the estimated and actual construction costs soon after project completion would “ensure that only prudently incurred construction costs are included for recovery and that these costs are only recovered from Blaine County customers.” *Id.*

a. Ratepayer Impact of Incremental Costs not Included in Surcharge

Staff believed the general body of ratepayers would indirectly pay for some incremental costs associated with the additional undergrounding not accounted for in the surcharge. *Id.* at 5. Staff noted there were:

two sets of cost not included in the surcharge: (1) the incremental lifecycle cost associated with the shorter useful life of underground transmission lines replacing the section of overhead transmission lines in the CPCN route; and (2) higher operation and maintenance (“O&M”) costs for underground lines compared to overhead lines.

Id. That said, Staff’s analysis indicated that these costs would have a small impact on a per customer basis outside of Blaine County and would be difficult to accurately estimate. *Id.* For these reasons, Staff did not recommend any adjustments in this case. *Id.* However, Staff recommended that in future cases where undergrounding is requested, and depending on the facts of the particular case, the costs associated with higher operation and maintenance requirements and a shorter useful life of the transmission lines should be considered and, if significant, “included for recovery from municipalities or counties prior to negotiating alternative recovery mechanisms.” *Id.* at 7.

2. The Final CUP

Staff noted that there were two specific conditions in the Final CUP referencing the Commission: Condition No. 16⁶ and Condition No. 17.⁷ Staff believed the Company addressed Condition No. 16 in its Petition. *Id.* at 7. Staff also believed Condition No. 17 would be satisfied by the County Board’s and the Company’s utilization of public funding, and by Blaine County residents’ access to energy assistance funding through various programs and resources. *Id.*

3. Surcharge

Staff noted the Company’s estimated monthly fixed charges for Blaine County customers was projected to provide funding to fully recover the \$9.8 million in incremental costs, including financing costs, for undergrounding the lines. *Id.* at 8. Staff recommended that the Company clearly label the surcharge as its own line item in billing statements for Blaine County customers. *Id.*

a. Surcharge Calculation

Staff noted that the proposed surcharge consisted of three components: capital costs, financing costs, and an annual administrative fee. Staff explained that “capital costs” reflected the estimated \$9.8 million in incremental cost for undergrounding. The “financing costs,” Staff noted, were established at the Company’s after-tax authorized rate of return of 9.59 percent and should be updated whenever the Commission approved a new rate of return for the Company. The “administrative fee” was an annual fee of \$35,000 to offset the incremental administrative costs.

⁶ Condition No. 16 states: “[The] Company shall address the need for a clause in any financing order by the Idaho Public Utilities Commission to allow for prepayment of any Blaine County only project costs or surcharges towards the additional costs of the modified project, as well as a procedure for doing so.”

⁷ Condition No. 17 states: “[The] Company shall address with the P.U.C. the need to provide indigent residents with financial assistance to meet the additional cost of the surcharge.”

Staff noted the Company estimated that a surcharge based on 3 percent of billed revenue in Blaine County would collect \$1.1 million on a levelized basis, annually at the current Blaine County customer counts. *Id.* Staff further noted the surcharge revenue, forecasted for a 20-year collection period, is expected to recover the estimated \$9.8 million in incremental ungrounding costs, including financing costs. *Id.*

4. Accounting Treatment

Staff recommended the Commission authorize the Company to accelerate the depreciation of the incremental assets to match the 20-year surcharge. *Id.* at 9. Staff noted the Company's proposal to provide annual updates to the County Board and annual reports to the Commission with supporting workpapers following the implementation of the surcharge. *Id.* at 9-10.

5. Tariff Schedule

Staff noted that the charges contained within Schedule 96—the Company's proposed tariff concerning the surcharge—would be reviewed, at a minimum, with each general rate case to ensure the surcharge amounts reflect Blaine County customer growth, the then-authorized rates of return, and other factors impacting the amount and duration of collection. *Id.* at 10.

6. Customer Notification and Public Comments

Staff reviewed the customer notice in the Company's Petition and determined that it met the requirements of Rule 125 of the Commission's Rules of Procedure, IDAPA 31.01.01.125. *Id.* Staff noted that, as of December 21, 2021, the Commission had received 51 public comments opposing the proposed surcharge and 5 comments in favor. *Id.* Staff noted that a few customers submitted multiple comments, two customers said they were on a fixed income, and three customers stated they owned farms. *Id.*

In sum, Staff recommended the Commission approve: (1) the Owl Rock Road Route; (2) the Company's proposed surcharge and Schedule 96 as filed, and order the Company to file, upon project completion, a revised Schedule 96 if updated costs required Schedule 96 to be modified; and (3) the Company's request for an Accounting Order as described in the Petition. Staff further recommended the Commission order the Company to: (1) clearly label the surcharge as its own line item in billing statements for Blaine County customers; (2) provide to the Commission the estimated cost of the Owl Rock Road Route when it received final pre-construction pricing information for the project; and, (3) within six months after project

completion, file a final determination of the estimated 2017 CPCN route cost and the incremental project cost for the Owl Rock Road Route, along with any necessary changes to the proposed surcharge, for review and approval by the Commission.

INTERVENOR COMMENTS

Tidwell

Tidwell filed comments on December 16, 2021, and again on January 14, 2022. Tidwell commented that the Transmission Line was not necessary for the provision of safe, reliable electric service. December 16, 2021, Comments at 2. Tidwell stated her belief that it would be less expensive to run a temporary line and repair the first one rather than building the Transmission Line. *Id.* 3. Tidwell wondered why the Company did not install more batteries instead of new transmission lines. *Id.* at 3. Tidwell questioned what a homeowner in Carey would “get for this undergrounding of distribution lines between Hailey and Ketchum and the undergrounding of transmission lines in Ketchum.” *Id.*

Tidwell posited that it may be difficult for the Company “to relate to homeowners who struggle with financial insecurity” *Id.* at 4. Tidwell questioned why federal funds could not be used to pay for the transmission line. *Id.* at 5. Tidwell asserted that the Company could have further explored other “non-wires alternatives” like microgrids. *Id.* at 6.

In her January 14, 2022, comments, Tidwell asserted that the costs that would be incurred for burying the lines could have been better spent because burying the lines does not increase the resiliency for households in Carey, Bellevue, and Hailey. January 14, 2022, comments at 1-2. Tidwell further noted that the price of “distributed generation/batteries” and solar has decreased over time. *Id.* at 3-4.

Tidwell claimed that the individual County Board members, the Commission, and the Company violated open meeting laws and suggested that the Commission recuse itself from the “ratemaking decision on this case” *Id.* at 4.

Cox Communications

Cox understood that the current design of the proposed project has space for its attachments, but that it “wishes to assure that the Commission specifically orders the same in its final order . . . to assuage any future challenges.” Cox Comments at 2-3.

PUBLIC COMMENTS

The Commission received 61 public comments with the majority opposed to paying a surcharge for the incremental cost of burying the lines. Most commenters explained they would receive no benefit from burying the lines, that there was no justification for paying extra to bury the lines, or both. One commenter questioned whether the County Board had the legal authority to enter into an agreement with the Company that would have a financial impact on voters' individual power bills. Other commenters, including irrigators south of Ketchum, expressed that the surcharge was a heavy burden with no real benefit to them.

A minority of commenters questioned the necessity of installing a redundant line at all—either because they felt the current line was reliable, or because they felt that alternative options, including backup generators, would be more workable.

Five commenters expressed support for paying the surcharge for the cost of undergrounding pursuant to the Owl Rock Road Route. Some commenters appeared to support paying for undergrounding only if the entire line could be undergrounded, while other commenters supported the surcharge for additional undergrounding but only if residents in the North Valley who are served by distribution circuits north of the Wood River Substation paid it.

COMPANY REPLY COMMENTS

Staff

The Company accepted and supported each of Staffs' recommendations. Company Reply Comments at 3. The Company particularly agreed with Staff's recommendation that there be no adjustments related to their customer impact calculation and Staff's suggestion that, if requests for undergrounding are made in the future, "the incremental lifecycle and [operating and maintenance] costs [should] be included in the Company's analysis and, if significant, included for recovery from municipalities. *Id.* at 3.

Cox

The Company stated that it worked cooperatively with the County Board and Cox to provide a Transmission Line configuration option that would provide space for the Cox attachments on the Transmission Line poles. *Id.* The Company noted that the County Board approved the Transmission Line configuration based on Exhibit C2 in its March 15, 2021, Findings of Fact, Conclusions of Law, and Decision granting the Company the Final CUP. *Id.* at 4. As such, the Company believed it appropriate for the Commission to recognize the two parties'

accommodation in its final order in this case “through a similar general statement as provided in Order No. 33872, Case No. IPC-E-16-28, 2017 CPCN” consistent with the Final CUP. *Id.* at 4-5.

The Company clarified, however, that it “would not support a broader requirement in the Commission’s order in this Case that [the Company] provide sufficient space on its Transmission Line poles to allow the attachment of the Cox Communications Line.” *Id.* at 5. The Company explained that such “a broad requirement would create an attachment right that does not presently exist and could force [the Company] to make additional and expensive changes to the Transmission Line poles if Cox determine[d] that it would prefer additional space for its attachments beyond the specified clearances in Exhibit C2.” *Id.*

Kiki Tidwell

The Company responded to Tidwell’s comment on undergrounding the Transmission Line in the City of Ketchum, explaining that the necessity of redundant transmission was reviewed and decided by the Commission when it granted the Company a CPCN in Order No. 33872. *Id.* at 6. The Company further indicated there was no support for Tidwell’s statement that the overhead transmission option through the City of Ketchum would be less expensive than the underground transmission option. The Company asserted that the evidence it introduced in Case No. IPC-E-16-28 demonstrated why placing overhead transmission through the City of Ketchum was not a viable option. *Id.* at 6-7.

The Company agreed that burying the lines between Hailey and the hospital was non-essential to safe and reliable electrical service but stated that this was the reason why Blaine County customers were paying for the incremental costs of burial. *Id.* at 7. The Company further replied that the benefit of building a new Transmission Line rather than replacing the Existing Transmission Line was resolved by the Commission in Order No. 33872. *Id.* at 8.

Contrary to Tidwell’s assertion otherwise, the Company stated it addressed alternative energy resources at length in connection with the Transmission Line project. *Id.* at 9. To Tidwell’s recommendation that the Company install battery storage in place of the Transmission Line, the Company hypothesized that an outage on the Existing Transmission Line could last for days and that a backup battery system could not realistically supply the quantity and duration of power needed to continue service to the North Valley during such an outage. *Id.* at 11.

To Tidwell’s assertion that the proposed surcharge was regressive and would not benefit all Blaine County homeowners outside the North Valley, the Company pointed to its

Petition, and testimony in this case and expressed its belief that, “as a whole, the surcharge as proposed would provide a reasonable balance for the collection of [incremental] undergrounding costs from the Company’s customer classes in Blaine County.” *Id.* at 11-12.

To Tidwell’s comment that the Company’s financing charge for the project was egregious, the Company explained that it was a normal charge, aligned with its authorized rate of return, and calculated so that customers outside Blaine County did not subsidize the cost of the undergrounding. *Id.* at 12-13.

Notwithstanding Tidwell’s criticisms, the Company explained that the Citizens Advisory Committee played an essential role in the Company’s planning and development of the redundant Transmission Line project. *Id.* 13-14.

The Company noted that several public comments were filed regarding the Company’s Petition and stated that it addressed the concerns raised by these comments in its response to Tidwell’s comments. *Id.* at 14. The Company stated it appreciated the public’s participation and repeated its belief that the Owl Rock Road Route and related surcharge provided a reasonable compromise that balanced the competing interests of the Company’s customers in Blaine County, while also protecting other customers in the Company’s service area. *Id.*

FINDINGS AND DISCUSSION

The Company is an electric utility subject to the Commission’s regulation under the Public Utilities Law. *Idaho Code* §§ 61-119 and -129. The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and -503. By law, public utilities shall “furnish, provide and maintain such service, instrumentalities, equipment and facilities as shall promote the health, safety, comfort and convenience of its patrons, employees and the public, and as shall be in all respects adequate, efficient, just and reasonable.” *Id.* § 61-302. The Commission has authority to order a utility to build new structures or upgrade and improve existing plant and structures to secure adequate services or facilities. *Id.* § 61-508.

Before constructing “a line, plant, or system,” a public utility providing electrical service must obtain a CPCN from the Commission (establishing that the “public convenience and

necessity” requires it). However, a CPCN is not required to extend lines, plant or system in an area already served by the utility. *Id.* § 61-526.

The Commission appreciates the considerable time and expense that parties and participants, including local governments, organizations, and citizens of Blaine County, dedicated to this case and proceedings before the County Board. This participation has built a robust record in this case. Likewise, we note the County Board’s efforts to inform and involve its citizens in the process of determining whether a solution could be reached for the funding, siting and eventual construction of the Transmission Line. Because the County Board represents Blaine County citizen’s direct interests, it has the greatest responsibility to demonstrate it is appropriate to agree to a surcharge that will affect its constituents.

In Order No. 33872 we found that a redundant Transmission Line into the North Valley was necessary to provide adequate and reliable service and to promote public health, safety, and convenience. Specifically, we found that the Transmission Line:

is justified by the Company’s own planning standard, supports national reliability standards, and will increase resiliency in the North Valley. . . . The Company provided evidence that a major outage could take days or weeks to repair, particularly given the line’s mountainous terrain and access limitations. An outage of days or weeks could have devastating impacts, particularly if it occurred in the middle of winter. The hospital may be unable to provide full services, emergency responders may be hampered in their ability to do their jobs, and the public may be without power to heat their homes. We believe this possibility poses an unacceptable risk to public health and safety. A redundant line would meaningfully reduce the likelihood that the communities would lose power if the existing line experienced an outage. . . . We find that a second transmission line would enhance the reliability and resiliency of Company’s service to the North Valley.

Order No. 33872 at 13-14 (internal citations omitted). These previous findings are reaffirmed by this Order.

The Company’s Petition requests that we approve modifications to the Transmission Line route previously approved in Order No. 33872. The Commission notes that in the 2019 CUP authorizing construction of the Transmission Line under the 2017 CPCN Route the priority was to bury the transmission and distribution lines. The record in this case shows the Company and the County Board spent significant time examining various funding alternatives, and conducting numerous public meetings, and non-scientific polling, to attempt to balance the 2019 CUP’s preference to underground the entire line with the need to minimize the incremental costs to Blaine

County customers. These efforts resulted in the Company submitting a modified CUP application reflecting the plan to implement a surcharge to fund the additional 1.4 miles of Transmission Line undergrounding and complete undergrounding of the distribution line (Owl Rock Road Route). *Id.* at 16-17. After conducting two public hearings, the County Board— comprised of three members elected by the citizens of Blaine County—approved the Company’s CUP application. *Id.* at 17.

Based on the record before us, and after carefully considering the unique circumstances in this case, we find the Owl Rock Road Route for the Transmission Line, modifying the 2017 CPCN granted in Order No. 33872, the three percent surcharge mechanism, and the Company’s Schedule 96 are fair, just and reasonable. We direct the Company to clearly label the surcharge as its own line item in billing statements for Blaine County customers. The surcharge line-item must make clear that the surcharge results from Blaine County’s 2021 CUP requirement to underground the Transmission Line and other components of the project. Staff should vet the language before it is included as a line-item on the Company’s Blaine County customers’ power bills. In addition, the Company must work with Staff to develop an insert to be mailed to customers prior to their first monthly electricity bill before the surcharge is included that clearly explains the three percent surcharge as a flat rate in Schedule 96.

We direct the Company to provide the estimated cost of the Owl Rock Road Route to the Commission when it receives final pre-construction pricing information for the Transmission Line project. We further direct the Company to file within six months after project completion, a final determination of the 2017 CPCN Route cost and the incremental project cost for the Owl Rock Road Route, along with any necessary changes to the proposed surcharge, for review and approval by the Commission. We also acknowledge the Company’s proposal to provide the Commission with annual reports and supporting workpapers after the implementation of the surcharge detailing, among other information, changes to the surcharge amount, customer counts, and principal and interest amounts.

We also approve the Company’s request for an Accounting Order authorizing the Company to depreciate the incremental capital costs over the 20-year surcharge period and match the annual depreciation expense with the actual annual principal payment of the incremental capital so that the incremental costs are fully depreciated over the same time period as the surcharge is collected and ensuring that the Company’s retail customer base is held harmless from a revenue requirement perspective.

The Company has also requested that the Commission make specific findings in its Order in this case that its directives in Order No. 33872 and pursuant to the requests in this Petition, to construct a second 138 kV transmission line carries with it the express authority over any action or order of other government agencies or local governments that are in conflict with such orders of the Commission pursuant to *Idaho Code* § 67-6528. The Commission is unaware of “any action or order of a governmental agency” in conflict with Order No. 33872 or our findings in this Order. Rather, the County Board and the Company worked together to present what became the Company’s Petition in this case. Based on the foregoing, the Commission finds there is no dispute or conflict to resolve related to the Company’s request and therefore the issue is not ripe for consideration.

The Commission finds that granting Cox’s request regarding its attachments unnecessary. The language in the 2019 CUP Cox cites makes clear there is no dispute between Cox and the Company concerning whether Cox can place its attachments on the Company’s equipment. However, we encourage the Company and Cox to work together to ensure that no dispute arises concerning this matter.

The Commission also finds that this Order does not constitute approval of any cost of the line for ratemaking purposes. The Company must apply to the Commission for inclusion of the costs of the Transmission Line in its rates at a later date. We also note that our decisions on the matters raised by the Petition are not without reservations. Although the construction of the new Transmission Line is necessary, the Commission does not believe that undergrounding the Transmission Line in the Owl Rock Road Route is necessary for the Company to provide safe and reliable service to its customers in Blaine County. Undergrounding and maintaining a transmission line is an expensive undertaking. However, the parties in this case negotiated the undergrounding of the Transmission Line in the Owl Rock Road Route. We recognize the work and resources expended by all to reach a solution were significant and applaud those efforts. We find it fair, just, and reasonable to approve the Company’s Petition so construction on the Transmission Line may begin. The Transmission Line will allow the Company to continue to provide adequate and reliable electric service to Blaine County customers and promote the public health, safety, and convenience.

ORDER

IT IS HEREBY ORDERED that the Company's Petition is granted as filed. The Commission approves the Company's surcharge for customers to pay for the incremental undergrounding costs of the Owl Rock Road Route and associated financing costs, as described in the Company's Petition.

IT IS FURTHER ORDERED that the Transmission Line route approved by the 2017 CPCN in Order No. 33872 is modified to include the Owl Rock Road Route as described in the Company's Petition.

IT IS FURTHER ORDERED that the Company must clearly label the surcharge as its own line-item on billing statements for Blaine County customers. The Company must also work with Staff to develop language for an insert in Blaine County customers' electric bills that explains the surcharge and will be sent to customers before the surcharge becomes effective. Additionally, the Company must provide the estimated cost of the Owl Rock Road Route when it receives final pre-construction pricing information for the project, and file—within six months after project completion—a final determination of the 2017 CPCN Route cost and the incremental project cost for the Owl Rock Road Route, along with any necessary changes to the proposed surcharge, for review and approval.

IT IS FURTHERED ORDERED that the Company may depreciate the incremental capital costs of the Transmission Line project over the 20-year surcharge period as described in this Order and as requested in the Petition and supporting testimony. This Order will serve as an accounting order approving the shorter depreciation period for the incremental costs to comply with accounting requirements.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

///

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of June 2022.



ERIC ANDERSON, PRESIDENT

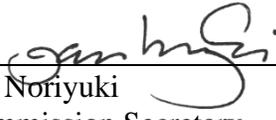


JOHN CHATBURN, COMMISSIONER

//Abstained to Avoid Conflict//

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

I:\Legal\ELECTRIC\IPC-E-21-25 Wood River Valley\orders\IPCE2125_final_order_rn.docx