

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR A) **CASE NO. IPC-E-16-28**
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT)
SYSTEM IMPROVEMENTS FOR WOOD) **ORDER NO. 33872**
RIVER VALLEY CUSTOMERS)

On November 8, 2016, Idaho Power Company filed an Application for a Certificate of Public Convenience and Necessity (CPCN) to make system improvements and to secure adequate and reliable service to customers in the Wood River Valley. Specifically, the Company requested a CPCN to construct a new (second) 138 kilovolt (kV) transmission line and related facilities “to provide redundant service from the Wood River substation near Hailey into the Ketchum substation.” Application at 1-2. The Company asked that the CPCN permit the particular line route and facilities identified in testimony accompanying the Application. *Id.* at 2.

The Commission received testimony and comments from numerous intervenors and members of the public, both in writing and in technical and public hearings. We are grateful for the effort by parties and members of the public to provide a full and complete record for this proceeding. Having considered the record, we issue this Order granting Idaho Power the requested CPCN for a second 138 kV transmission line as requested in the Company’s Application. This Order does not constitute approval of costs incurred for ratemaking purposes.

BACKGROUND

The Commission issued a Notice of Application and granted Petitions to Intervene from Kiki Tidwell; Laura Midgley; the Sierra Club; Idaho Conservation League; the City of Ketchum; CoxCom, LLC; Rock Rolling Properties, LLC; and Rock Rolling Properties #2, LLC. Order Nos. 33657, 33675, 33683, 33711 and 33760. The Commission conducted a public hearing in Ketchum, Idaho on July 26, 2017, and a technical hearing in Boise, Idaho on August 8, 2017. In addition to the testimony filed by parties and taken at the technical and public hearings, the Commission received and the record includes over 30 written comments from members of the public, including local governments, other entities and associations, and individuals.

IDAHO POWER'S APPLICATION AND SUPPORTING TESTIMONY

Idaho Power applied for a CPCN to construct a second transmission line from the Wood River substation near Hailey into the Ketchum substation, asserting the line is necessary to secure reliable and adequate service to its customers. Application at 1-2. In support of its Application and in response to other parties' positions, the Company presented testimony from four witnesses: Manager of Regulatory Projects in the Regulatory Affairs Department, Michael Youngblood; Planning Manager in the Customer Operations Engineering and Construction Department, David Angell; Customer Operations Project Manager in the Customer Operations Engineering and Construction Department, Ryan Adelman; and Vice President of Transmission and Distribution Engineering and Construction and Chief Safety Officer, Vern Porter.

1. Redundant Line needed to ensure Reliable Service

The Company asserted that the existing transmission line serves over 9,000 customers in the North Valley, including the resort communities of Ketchum and Sun Valley, and the Sun Valley ski resort. *Id.* at 4. According to the Company, although its sole existing radial transmission line has a good record of reliability it has experienced sustained outage line events, is aging, and requires reconstruction. *Id.* at 2, 16; Tr. at 432. The Company estimates the existing transmission line "will result in average sustained outages of more than 209 minutes per year." Application at 5; Tr. at 225. Outages can be caused by, "among other things, vandalism, inclement weather, wood decay, woodpecker damage, avalanche, fire, and micro-burst wind events." Application at 4; Tr. at 203. The risk of power outages and economic impacts therefrom is heightened when tourism activity, and thus electrical demand, are at their peak. Application at 4-5; Tr. at 201-03, 224. Peak demand swells in the North Valley at the height of tourist seasons in summer and winter, but especially winter. Tr. at 201.

The Company stated that, under reliability standards established by the North American Electric Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC) in October 2013, the maximum non-consequential load loss for a single transmission line is 75 MW. *Id.* at 250-52. Because the simultaneous loss of two transmission lines "has a much lower probability than the loss of one transmission line, the NERC reliability standards allow for unlimited non-consequential load loss for the loss of two transmission lines." *Id.* at 252; *see also id.* at 255 (stating "NERC reliability standards embody the concept of redundant service and elimination of radial service as required reliability

improvements.”). Idaho Power states it typically initiates and constructs a second transmission source and transformer in an area when peak load for the area’s substations is projected to surpass 40 megawatts (MW), thus exceeding NERC’s reliability standard. Application at 4-5; Tr. at 223, 244-45. The winter 2007 peak load for the Ketchum and Elkhorn substations serving the North Valley was 63 MW. Application at 4.

2. History and Community Outreach

Idaho Power obtained a Certificate (No. 272) to construct a second transmission line to the North Valley, and related facilities, in 1974. Application at 6; Order No. 11315. In 1995, the Company participated in public meetings about the proposed construction of a second transmission line, including an open house for which it sent invitations to more than 8,000 Idaho Power customers. Application at 6. There was considerable public opposition to the proposal, based on the route that the transmission line would take, aesthetic impacts, perceived health and safety issues, and the requirement that the incremental cost of placing the line (in part or all) underground be funded locally. *Id.* at 7. The Company concluded that the line was no longer needed nor feasible. Ex. 103 at 4, 7. At the Company’s request, the Commission cancelled Certificate No. 272, finding that “the present public convenience and necessity no longer require[d] construction of a second 138 kV transmission line to provide adequate, efficient, just and reasonable service to the Ketchum/Sun Valley area.” Order No. 26107.

In 2007, the Company initiated a Community Advisory Committee (CAC) to develop the Wood River Valley Electrical Plan, a comprehensive plan for future transmission facilities in the Wood River Valley, including the North Valley area. Application at 8-9. In 2011, the CAC recommended that Idaho Power construct the second 138 kV transmission line. *Id.* at 9. From 2012-2014, the CAC took additional input from the community, including the City of Ketchum and the Ketchum Energy Advisory Committee, and reaffirmed the need for a second energy path into the North Valley. *Id.*; Tr. at 205-14.

3. A Temporary Line in Lieu of a Redundant Line would be Inadequate

The Company stated that the existing transmission line must be rebuilt, and that its reconstruction would be best facilitated by building a redundant line. Application at 16. According to the Company, the existing line cannot be rebuilt while energized, and reconstruction “would require as many as 40 eight-hour line outages . . . [as well as] a six to 12 week continuous outage.” *Id.* at 17; Tr. at 226-27. However, a temporary overhead line would

face insurmountable obstacles (siting, excessive costs, opposition to visual impacts). Tr. at 434-35. “Idaho Power views routing any overhead transmission line through the city of Ketchum, whether new or temporary, as not viable for many of the same reasons a permanent overhead transmission line is not a viable option.” *Id.* at 434. Also, if a temporary rather than a redundant line were built, the Company would be able to salvage some, but not all of the materials. Application at 17. The Company thus asserted, not only would a temporary line (absent a redundant line) fail to secure reliable and adequate service, it would also involve wasted investment, preliminarily estimated at roughly \$4 million. *Id.*; Tr. at 359-60.

4. Redundant Service Options

Idaho Power stated it investigated four configurations that would provide the needed redundancy. Application at 17. Each configuration utilizes a “Common Route” that would extend overhead from the Wood River substation near Hailey, north along Highway 75 for about 7.5 miles, to the area near Owl Rock Road and south of the St. Luke’s Medical Center. *Id.* at 18. From there, north to the Ketchum substation, they would differ. *Id.* Idaho Power characterized the four configurations using the following descriptions: (1) overhead transmission; (2) underground transmission; (3) overhead distribution; and (4) underground distribution. *Id.* at 18-23.

Overhead Transmission. Idaho Power asserted that “the Company’s traditional practice to reduce the likelihood of sustained outages would be to construct multiple overhead transmission lines . . . or to implement distribution circuits with tie switches.” Tr. at 112, 230. The Company determined the overhead transmission route was not viable due to siting obstacles such as geographical constraints (*id.* at 230) and local ordinances (*id.* at 230-31); excessive costs such as condemnation of private property (*id.* at 236, 417) and installation of engineered steel structures (*id.* at 361, 416); legal obstacles such as need to secure easements and likely litigation (*id.* at 445, 491); and strong community opposition to visual impacts (*id.* at 236). Application at 18-20; Tr. at 237. The Company asserted that, while theoretically possible from an engineering perspective, an overhead transmission line through downtown Ketchum would be infeasible from a practical perspective. Tr. at 444-48. The Company posited that there may be no cost at which it could obtain the rights-of-way required to construct an overhead transmission line through downtown Ketchum. *Id.*

Underground Transmission. Idaho Power stated that the CAC recommended this option. Application at 20. The Company asserted the underground transmission option “would support a build-out demand in the North Valley area of 120 MW” – twice the area’s approximate peak of 60 MW. *Id.*; Tr. at 381-82. The Company estimated this option would cost between \$30 million and \$35.7 million, depending on the location where the transmission line would be underground. Application at 20-21. The Company examined three potential points where the line would transition from overhead to underground transmission: Elkhorn Road, Hospital Drive, and Owl Rock Road. *Id.* at 20. The Company’s preferred transition point was Elkhorn Road (also referred to as transition point 1), the lowest-cost option at \$30 million. *Id.* at 21; Tr. at 387.

Although Idaho Power acknowledged it “currently does not have any underground transmission line anywhere on its system,” the Company noted that underground transmission is not a new technology, and is used by utilities elsewhere in the country. Tr. at 382.

Overhead Distribution. Idaho Power stated this option would include a new substation, five overhead distribution circuits, and acceleration of a 2018 planned Ketchum substation distribution circuit. Application at 21. The Company noted that the overhead distribution option would provide “only 60 MW of backup service for the existing customers.” *Id.* at 22; *see* Tr. at 382. The Company estimated the option would cost between \$29.1 and \$31.1 million, and described it as a “base case . . . consistent with the Company’s standard practice of providing redundant electrical service to an area.” Application at 22; *see* Tr. at 112.

Underground Distribution. The Company described this option as substantially similar to the overhead distribution option, but with greatly reduced visual impacts, and an estimated cost between \$43.4 and \$45.9 million. Application at 22-23. The Company determined that the underground distribution option’s cost was excessive and ruled it out as not viable. *Id.* at 23; Tr. at 384-85.

5. Idaho Power’s Proposal: Underground Transmission

The Company selected the underground transmission option with undergrounding at Elkhorn Road as the proposed configuration for its requested CPCN. Application at 23-24. The Company described the route as an “economic equivalent to the standard overhead distribution base option.” *Id.* at 21; Tr. at 389, 396. In the event that local governmental entities require undergrounding at a point other than Elkhorn Road to accommodate aesthetic preferences, the

Company asked “that the incremental cost difference between the overhead distribution and [such] underground transmission configurations be assessed to the cities of Ketchum and Sun Valley and to Blaine County.” Application at 24; Tr. at 319, 398. Idaho Power asserted it was not seeking any specific rate recovery in its Application, but would “do so in a proper rate recovery proceeding in the future.” Application at 23. As to alternative sources (such as diesel engine, gas turbines, and photovoltaic plus battery energy storage systems), Idaho Power asserted they would be less reliable, and the costs significantly higher, than the Company’s proposed line. *Id.* at 9; Tr. at 215-23.

6. Rebuttal to Other Parties’ Concerns

Sierra Club raised concerns about the proximity of the proposed and existing transmission lines. In response, Idaho Power clarified that the proposed and existing lines do not cross nor do they share common towers. Tr. at 256-57, 315-16; Exhibit 9. The Company asserted that “‘proximity’ is not prohibited nor addressed by NERC reliability standards beyond a common tower configuration.” Tr. at 257. According to the Company, although one would expect “two circuits on a single tower . . . to go out of service at some point in time,” two independent tower-built transmission lines, even if they are “right next to each other[,] . . . will not be subjected to the same outage.” *Id.* at 309. Also, reliability gains from adding a second line are not lost because the two lines originate in the (same) Wood River substation. *Id.* at 257. This is because the Wood River substation itself is “sourced by two redundant transmission sources of energy,” and because substations, by virtue of their construction, “have much less exposure to line events” and fail much less frequently than transmission lines. *Id.* at 257-58.

The Company emphasized that its proposal to build a redundant line is “to meet [the Company’s] reliability and service quality standards that are consistent with other utilities as well as national standards.” *Id.* at 253. According to the Company, no matter how reliable the existing line has been, a second transmission line is necessary to address the North Valley’s growth, difficult-to-access terrain, substantial seasonal resort economy, and “the risk of harm from potential long-term outage and the potential catastrophic effects of a long-term outage during extreme winter conditions when electric load peaks.” *Id.* at 253.

7. Idaho Power’s Requested Relief

The Company thus asked that the Commission grant its requested CPCN authorizing it to construct a redundant transmission line to ensure reliable and adequate service to the North

Valley. As requested, the line would extend overhead from the Wood River substation, then transition underground near Elkhorn Road, and continue underground to the Ketchum substation.

STAFF AND INTERVENOR TESTIMONY

A. Commission Staff

Commission Staff argued that the Company failed to demonstrate the need for a redundant line at this time, but if the Commission were to approve a redundant line, Staff recommended that the base case be the overhead transmission option rejected by the Company.

1. Redundant Line not justified

Staff asserted the Company failed to show that the benefits of a second line justified the \$30 million cost of the Company's proposed route. *Id.* Staff examined the Company's rationale for cancelling its CPCN in 1995 for a project that included a second Wood River-Ketchum line. *Id.* Part of that rationale was an assessment that the risk of avalanches, fires, and other unplanned events were low, and that the Company's maintenance and emergency plans could quickly repair any damage caused by such events. *Id.* at 631. Staff testified that, in light of the risk assessment, the Company found a second redundant line was not needed. *Id.* Staff asserted the Company provided no evidence that its assessment of risks has changed, or that response time to repair damage has increased, since 1995. *Id.* at 652. Accordingly, Staff argued the Company did not show that a redundant line is needed nor that ratepayers should bear the cost. *Id.* at 631-32, 652. Although Staff agreed with the Company that the existing line is aging and needs to be replaced, Staff believed that could be accomplished with a temporary line at a lower cost, rather than with a \$30 million permanent redundant line. *Id.* at 632-35.

2. The Base Case, if any, should be Overhead Transmission

If a second line were approved, Staff recommended that the base case should be overhead transmission (through downtown Ketchum) rather than the Company's proposals (overhead distribution, or underground transmission as its economic equivalent). *Id.* at 638, 640, 643. Staff acknowledged that the Company determined overhead transmission was not viable, but asserted that – per the Company's own analysis – there are options for the route that are technically feasible and may not require easements (such as the Davit Arm design described in Exhibit 110). *Id.* at 639-40. Staff indicated that the Company rejected these options because of local aesthetic concerns. *Id.* at 640. Staff noted that the Idaho Legislature enacted a funding

mechanism for communities that prefer undergrounding of utilities to pay for doing so via local improvement districts under *Idaho Code* § 50-2503. *Id.*

Staff testified it was difficult to see how the Company's base case, overhead distribution, would provide the North Valley any noticeable reliability improvement. *Id.* at 642. Staff asserted that with a capability of 60 MW, overhead distribution may not be capable of serving the North Valley's peak load (63 MW). *Id.* at 641. Further, overhead distribution would not decrease the frequency of outage events, but might decrease their duration. *Id.* Finally, overhead distribution would rely upon remotely-controlled automated distribution ties, which Staff testified may not be a standard practice for the Company. *Id.* at 641-42. Considering that overhead distribution was estimated to cost \$30 million, and that the existing line could be rebuilt using a temporary line at a much lower cost, Staff asserted the overhead distribution option appeared to be an "inadequate, non-standard alternative used to justify the high cost of [the Company's] preferred alternative." *Id.*

As to the underground transmission option (with undergrounding at Elkhorn Road), Staff argued that the Company's analysis did not fully address the costs and logistics of underground transmission. *Id.* at 643-45. Staff stated it was \$11.5 million more expensive than the "far more standard practice of using Overhead Transmission." *Id.* at 643. Further, Staff observed that the Company has no experience repairing underground transmission lines (the Company said it would use qualified contractors, but does not currently have a list of such contractors). *Id.* Finally, Staff noted that the Company estimated the cost of annual operations and maintenance for the underground transmission option to be twice that of the overhead transmission option. *Id.* at 644.

As to local generation and distribution options, Staff agreed with the Company's analysis which concluded that the costs of each of these options exceeded the costs of the proposed redundant line. *Id.* at 645.

In sum, Staff testified that the Company did not demonstrate that a redundant line would provide a significant reliability benefit to justify its cost. *Id.* at 646-47. Staff concluded that the existing line should be rebuilt using a temporary line to provide power to the North Valley during the reconstruction. *Id.* Staff recommended that overhead transmission be considered the base case if the Commission approved a redundant line, and that any additional costs of undergrounding be funded locally. *Id.* at 647.

B. Sierra Club

Sierra Club testified that while the existing line is aging and needs to be rebuilt, the Company has “failed to show that building an additional transmission line is the most cost-effective solution available.” Tr. at 516. According to Sierra Club, the Company’s proposal “does not contain enough relevant information about alternative solutions to reliability problems in this relatively remote and mountainous portion of the company’s service territory” and as such, an “informed decision on how to best ensure reliable and adequate service” cannot be made. *Id.* at 518.

Sierra Club expressed concern that the proposed redundant line may not achieve the reliability goal, particularly because the existing and proposed new lines would run near each other at certain points and would source out of the same substation, which would continue to be a single point of failure. *Id.* at 524-26. Further, Sierra Club argued that the existing line has had excellent reliability, and that rebuilding that line, particularly with steel poles, would allow that excellent reliability to continue. *Id.* at 531. Given the existing line’s excellent reliability, Sierra Club asserted that a redundant line would do little to improve reliability and would not justify its costs. *Id.* at 534. Finally, Sierra Club argued that a redundant line is not needed to serve load growth, and even if additional capacity were needed, over and above what the existing line provides, the existing line could be rebuilt with larger conductor. *Id.* at 534-41.

Sierra Club also asserted the Company’s analysis of alternative resources (including distributed generation and batteries) was deficient and that it was undertaken with a predetermined outcome—its preferred alternative. *Id.* at 541-43. According to Sierra Club, the Company used its redundant line proposal as the baseline against which alternatives were compared, rather than comparing alternatives against a need for reliable service. *Id.* at 542-45. Sierra Club also argued the Company’s analysis overestimated costs and failed to evaluate all benefits, among other deficiencies. *Id.*

Sierra Club disagreed with Staff’s opinion that the Company’s distributed generation analysis was sufficient, and suggested the analysis failed to explore the “reasonable cost for general ratepayers to ensure reliable service to the [North Wood River Valley].” *Id.* at 567-68. To remedy these deficiencies and supplement the record, Sierra Club recommended that a technical advisory council or other mechanism be established to collect the necessary data or complete additional studies. *Id.* at 553-54, 588.

C. CoxCom, LLC

CoxCom (Cox) testified that it provides advanced digital video, Internet, telephone and home and business security and automation services in Blaine County, and its subscribers include residential, business and government entities, schools, hospitals, and health care providers. Tr. at 497. Cox explained that it is a significant customer of Idaho Power, which powers Cox's entire network and facilities. *Id.* at 503. Cox stated it has a pole attachment agreement with the Company under which Cox attaches its equipment to the Company's poles along Highway 75 and the route of the proposed redundant line, in exchange for compensation. *Id.* at 503-4. If the Application is granted, Cox asked that the Commission ensure that the physical facilities authorized can continue to accommodate attachment of Cox's equipment. *Id.* at 507-9.

D. City of Ketchum

The City of Ketchum advocated for a "true consideration of alternatives" and questioned whether the Company has "truly evaluated and considered alternatives and feasibility costs that can achieve goals of resiliency and redundancy without simply reverting to building more lines." Tr. at 599-600. The City provided a proposal (as part of public comments in this docket) for an independent analysis of "[b]etter grid integration, accommodation for growing local generation trends, and . . . storage." *Id.* at 599-602.

The City stated it shares the Company's reliability goals, but believes the Company has overlooked the benefits of rebuilding the existing line with a temporary line and considering other alternatives. *Id.* at 603. The City agreed with Sierra Club's suggestion for the establishment of a technical review committee, and it and its Ketchum Energy Advisory Committee would be interested in participating in such a committee. *Id.* at 605.

The City argued it is premature to consider assigning costs of undergrounding a redundant line to certain communities. *Id.* The City indicated that undergrounding may be appropriate for reasons other than aesthetics—for example, for healthy, safety, and economic reasons. *Id.* at 605-6. While the City "accepts that some level of local responsibility for incremental costs to address purely local concerns may be necessary," first there should be "better analysis of such cost alternatives and actual needed construction." *Id.* at 609. At the technical hearing, the City's witness Mayor Nina Jonas testified that if local funding were

required, a franchise fee or payments based on use, rather than property values, might be more palatable to North Valley constituents. *Id.* at 611.

In response to Cox’s testimony, the City indicated that “[h]eighting of poles should be restricted to a minimum to preserve the character of these communities” and that “issues pertaining to co-location should be of lower priority until the multitude of technical review concerns are addressed.” *Id.* at 607. The City asserted that the high-priority issues in this case should be resiliency and the source of power. *Id.* at 594. When outages have occurred or have been at risk of occurring, the outage sources have been south of the Wood River substation, so a redundant line as proposed in this case would not resolve the true reliability issue. *Id.* at 613. The City conveyed its citizens’ desire for resiliency and the ability to tap into an available source of energy when the primary source is unavailable. *Id.* at 615. The City acknowledged that there are unanswered questions about siting alternative generation sources, but nonetheless asked for further discussion about options and reliability as an alternative to a redundant transmission line. *Id.* at 617-18.

In sum, the City “supports more sophisticated analysis of technological advancement and a reluctance to rush into overbuilding traditional infrastructure just because that is the way it has been done before.” *Id.* at 608.

E. Public Testimony and Comments

The Commission held a public hearing in Ketchum, Idaho on July 26, 2017, to take testimony from members of the public. Twenty-seven members of the public testified at the hearing. In addition, the public had the opportunity to submit written comments for the record at any point during this case. We received written comments over the course of the case from more than 30 individuals or organizations (some of whom also provided testimony at the public hearing).

Testimony or comments from 12 individuals or organizations expressed support for the proposed redundant line. These individuals and organizations, including the City of Sun Valley, the St. Luke’s Wood River Medical Center, the Sun Valley Resort, homeowners’ groups, and an association of emergency responders, agreed that a redundant line is needed to support public safety and welfare and to mitigate the economic and other risks of an outage of the existing line. For example, testimony described that the St. Luke’s Wood River Medical Center currently does not have enough backup generation available, in the event of an outage of the

existing line, to power certain diagnostic machines. Tr. at 29. The redundant line would increase the likelihood that the Medical Center could continue to provide all its services even if the existing line suffered an outage. *Id.* Other comments and testimony described other health and safety and economic risks from a sustained outage of the existing line in winter, including concerns about the impact of an outage on emergency responders and concerns about frozen pipes and property damage and other economic impacts. Some of the commenters in support of the line also supported further exploration of distribution generation and alternative energy sources in addition to construction of a redundant line.

Testimony or comments from a few individuals or organizations did not explicitly support or oppose the proposed redundant line, but instead asked questions or requested more analysis. One acknowledged the complexity of the issues in this case and expressed sympathy for and understanding of opinions on all sides.

Testimony or comments from 19 individuals and organizations, including the City of Ketchum, opposed the proposed line or questioned the need for it. Many of these individuals and organizations expressed that a redundant line is not needed, due to the excellent reliability of the existing line and the ability to reconstruct it using a temporary line, or that a redundant line would not solve outages that occur south of the Wood River substation. Many called for additional analysis of other options, including both rebuilding the existing line using a temporary line and alternative energy options. Many expressed a desire for additional resiliency in the Wood River Valley in the form of micro-grids and local generation such as rooftop solar and energy storage. Commenters also expressed concern about the cost of the proposed redundant line and its aesthetic (impact on the view shed along Highway 75), economic (including negative impact on property values and tourism), and health and safety impacts. Some commenters also objected to the Company's proposal to underground just a portion of the proposed line at all ratepayers' expense, and suggested that the entire line should be underground.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction in this case under its express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential discriminatory, or in any way in violation of any provision of law, and may fix the same by Order. *Idaho Code* §§ 61-502 and 61-503. 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. Under *Idaho Code* § 61-526, whether the “public convenience and necessity does not require or will require” the construction or extension of lines, plant or system, the Commission “may, after hearing, make such order and prescribe such terms and conditions for the locating or type of the line, plant or system affected” as the Commission finds just and reasonable. *Id.* § 61-526.

The Commission appreciates the considerable time and expense that 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 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.

At its root, this case presents the question of what facilities are required in the North Wood River Valley for Idaho Power Company to meet its obligation to provide service that promotes the “health, safety and convenience” of the public and that is “adequate, efficient, just and reasonable.” *See id.* § 61-302. Having reviewed the record, we find that the Company has demonstrated the need for a redundant line from the Wood River substation to the Ketchum substation. The redundant line is justified by the Company’s own planning standard (Tr. at 244-248), supports national reliability standards (*id.* at 250-52, 308-10), and will increase resiliency in the North Valley. The existing line has had minimal reliability concerns, and we commend

the Company for its efforts in maintaining the line. However, we must take into consideration whether the proposed redundant line provides resiliency after a major outage that could avoid catastrophic consequences.

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. *Id.* at 201-03, 253, 426. 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. *See, e.g., id.* at 426. 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. The Company provided evidence that, although an event such as an avalanche or wind or ice storm might take out one transmission line, it is extremely unlikely to impact a second transmission line configured on separate towers, as the redundant line is proposed by the Company. *Id.* at 309, 326-30. Moreover, in the event both lines are impacted by an outage, a redundant line provides resiliency that would enable Idaho Power to restore power faster. We find that a second transmission line would enhance the reliability and resiliency of Company's service to the North Valley.

We recognize that the redundant line does not eliminate the risk of outages to North Valley customers. However, the Company has undertaken improvements to its system south of the Wood River substation to reduce the risk of outages there. *Id.* at 429-30.

Nearly all the parties and participants agreed that the existing line needs to be rebuilt. Idaho Power explained that the redundant line would allow the existing line to be rebuilt without interruption to customers. Application at 16. Other parties and participants argued that the existing line could be rebuilt using a temporary line to avoid interruption to customers. Tr. at 531, 603, 632-35. Regardless, rebuilding the existing line using a temporary line instead of a second permanent line does not create redundancy and thus does not improve resiliency to the North Valley in a permanent way going forward.

Many parties and participants called for additional analysis of alternative solutions, such as distributed local generation and energy storage systems. We do not believe these options are effective stand-alone alternatives to a redundant line today. For example, parties and

participants suggested these options could be used (and need only be used) to meet just a portion of the North Valley's load. That is, there would be some process to determine which loads get served in an outage, and which do not. We do not believe an option that only meets a small part of the load is an effective solution for providing adequate and reliable service, when the redundant line option would be capable of serving all of the load. That being said, we agree that these options should continue to be explored, particularly as the North Valley's load increases and as the alternatives become more cost-effective.

Given the record before us, we find that redundancy is needed to provide adequate and reliable service to the North Valley and promote public health, safety and convenience, and thus grant the Company's requested CPCN authorizing construction of a second transmission line. Further, we approve the Company's requested route of overhead transmission from the Wood River substation to the transition point near Elkhorn Road, then underground transmission to the Ketchum substation.

Parties and participants questioned the need for that route and its cost. In response, the Company further explained why an overhead transmission configuration along the whole route is not feasible, including geographical and other constraints. Tr. at 230-31, 236, 361, 416-17, 445-51. As an example, siting an overhead transmission line through the downtown Ketchum area could require placing large steel poles in the sidewalks or the edge of the road (*id.* at 237, 417), which could impair drivers' and pedestrians' sight lines in intersections and would be a detriment to public safety. In addition, the Company might need to obtain a significant number of easements or condemnations, which could be extremely costly. *Id.* at 236, 417, 445, 491. We find that the Company has demonstrated that the overhead transmission option through downtown Ketchum is not feasible, and that the preferred route is overhead transmission to the Elkhorn Road transition point, then underground transmission to the Ketchum substation. That is the route for which we grant the CPCN.

As to Cox's request to continue to attach equipment to Idaho Power's poles, we understand that Idaho Power's proposed design for the overhead portion of the line will allow for attachment of Cox's equipment while keeping pole heights to a minimum. We appreciate the willingness of Cox and Idaho Power to work together to find a solution.

In summary, having considered the record before us, we issue this Order granting Idaho Power the requested CPCN for a second 138 kV transmission line as requested in the

Company's Application. This Order does not constitute approval of any cost of the line for ratemaking purposes. The Company will be required to apply to the Commission for inclusion of the costs of the line in its rates at a later date.

INTERVENOR FUNDING

Intervenor funding is available under *Idaho Code* § 61-617A and Commission Rules 161 through 165. Section 61-617A(1) declares it is "the policy of [Idaho] to encourage participation at all stages of all proceedings before this commission so that all affected customers receive full and fair representation in those proceedings." *Idaho Code* § 61-617A(2). The statute authorizes the Commission to order any regulated utility with intrastate annual revenues exceeding \$3.5 million to pay all or a portion of the costs of one or more parties. Intervenor funding costs include legal fees, witness fees, transportation and other expenses, so long as the total funding for all intervening parties does not exceed \$40,000 in any proceeding. *Idaho Code* § 61-617A(2).

The Commission must consider the following factors when deciding whether to award intervenor funding:

- (1) That the participation of the intervenor has materially contributed to the Commission's decision;
- (2) That the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
- (3) The recommendation made by the intervenor differs materially from the testimony and exhibits of the Commission Staff; and
- (4) The testimony and participation of the intervenor addressed issues of concern to the general body of customers.

Idaho Code § 61-617A(2). An intervenor's petition must contain: an itemized list of expenses broken down into categories; a statement explaining why the costs constitute a significant financial hardship; and a statement showing the class of customer on whose behalf the intervenor participated. IDAPA 31.01.01.162. Expenses awarded shall be chargeable to the class of customers represented by the qualifying intervenors. *Idaho Code* § 61-617A(3).

A. Sierra Club's Request

Sierra Club filed the sole Petition for Intervenor Funding in this case, requesting \$14,850 for attorney fees. Sierra Club submitted, and it is undisputed, that Idaho Power is a

regulated public utility with gross intrastate annual revenues exceeding \$3.5 million. Petition at 1. Sierra Club stated its “members and supporters are residential and small commercial customers of Idaho Power.” *Id.* at 4. Sierra Club asserted its position and requested relief were materially different from and disagreed with those of Commission Staff with respect to local generation and storage options. *Id.* at 3. Also, Sierra Club stated it pursued “issues of concern for general ratepayers who will be subject to rate increases when Idaho Power seeks to recover the costs of the proposed redundant line, as well as local ratepayers who may be assessed additional charges for local undergrounding.” *Id.* at 4.

Sierra Club asserted it is a non-profit organization supported through charitable donations that are “inherently unstable and sometimes insufficient,” such that intervenor funding is essential for Sierra club to participate in these proceedings.” *Id.* at 3. With its request, Sierra Club provided an itemized list of legal expenses (hours billed by legal counsel at an hourly rate of \$150). Exhibit A to Petition.

B. Commission Findings and Decision

The Commission finds that Sierra Club’s request for intervenor funding satisfies the statutory requirements. Sierra Club participated in the case and materially contributed to our analysis and decision. We find that Sierra Club’s position regarding local generation and storage options contrasted with that of Staff, thus helping to create a record with broader perspectives of the issues before us. Also, Sierra Club supported the establishment of a technical advisory committee to complete additional studies of local generation and storage options. We find that lack of intervenor funding would be a significant financial hardship to Sierra Club, as it is a nonprofit organization dependent upon such funding for its ability to participate and represent its members, who include customers of Idaho Power. Finally, we find that the hourly attorney fee rate of \$150 and the itemized hours for which Sierra Club requests funding, and to which no one objected, are fair, just and reasonable. Accordingly, we grant Sierra Club’s Petition for Intervenor Funding in the requested amount of \$14,850. Because Sierra Club states that its members are residential and small commercial customers of Idaho Power, we find that this amount shall be chargeable to the Company’s residential and small commercial customers.

ORDER

IT IS HEREBY ORDERED that the Application of the Idaho Power Company in Case No. IPC-E-16-28 is granted. The Commission issues the Company a CPCN for a second 138 kV transmission line as requested in the Application.

IT IS FURTHER ORDERED that Sierra Club's Petition for Intervenor Funding is granted as requested in the amount of \$14,850. This amount will be chargeable to the Company's residential and small commercial customers.

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 with regard to 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.

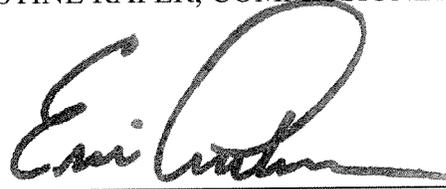
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of September 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

O:IPC-E-16-28_djh4_Final