

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: SEPTEMBER 24, 2008

SUBJECT: APPLICATION OF PACIFICORP 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

On April 18, 2008, PacifiCorp dba Rocky Mountain Power (“PacifiCorp” or “the Company”) filed an Application for a Certificate of Public Convenience and Necessity (“CPCN”) pursuant to *Idaho Code* §§ 61-526 through 528 and IDAPA 31.01.01.111 and 112 seeking authorization to construct a 345 kV Transmission Line, a/k/a Populus-Terminal Transmission Line, to be located in Bannock and Oneida Counties as well as a new substation to be located in Downey, Idaho (“the Project”).

On April 25, 2008, PacifiCorp 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 PacifiCorp’s request for a CPCN for the construction and operation of the Project.¹

THE APPLICATION

PacifiCorp is a Utah corporation providing retail electric service to customers in Utah, Wyoming and Idaho. The Company lists its principal place of business as Salt Lake City, Utah. Rocky Mountain Power has filed a Certificate of Assumed Business Name with the Idaho Secretary of State acknowledging PacifiCorp as the Company’s “true name.” PacifiCorp is

¹ 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.” Utah Docket No. 08-035-42.

registered with the Idaho Secretary of State and lists CT Corporation System, 1111 West Jefferson, Suite 530, Boise, Idaho 83702, as its Idaho registered agent for service.

PacifiCorp's Application states that the Project would extend from an existing substation located southwest of the Salt Lake City International Airport to a 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 transmission capacity necessary for the delivery of safe, efficient, and reliable electric service to its customers.

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.

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.² 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.

PacifiCorp states that the total cost of the Project, including the Utah portion, is approximately \$750 million. The Company estimates that the revenue requirement for Idaho

² A map showing the route of the transmission line can be found as an exhibit in PacifiCorp's response to data requests and Staff comments; minor adjustments to the route may occur during final design.

will be approximately 3%. However, the Company does not request rate recovery at this time. The Company states that the Project would be operational beginning in 2010.

STAFF COMMENTS

Based on its extensive review of PacifiCorp's Application, the Company's 2007 IRP, Idaho statutes pertaining to CPCN issuance and other relevant information, Staff recommends that the Commission grant PacifiCorp's CPCN request. Staff believes that the Project complies with the minimum statutory requirements found in *Idaho Code* § 61-526: (1) the present or future public convenience or necessity requires or will require the construction of the Project; and (2) the Project will not interfere with the line, plant or system of another public utility.²

Staff noted that the Project is an integral part of the preferred resource portfolio outlined in the Company's 2007 IRP. PacifiCorp states that, since its IRP filing, its Utah jurisdictional loads have continued to increase, Requests for Proposals ("RFPs") continue to favor lower cost wind resources in Wyoming and transmission between those resources and the Utah load centers continue to be constrained during peak periods. In addition, the Company's Application states 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.

Staff believes that the Company's assertion that additional transmission capacity can lead to increased flexibility and reliability is generally correct. However, Staff feels that the benefits of increased reliability are difficult to quantify and that some measure of reliability is often sacrificed when energy resources are located some distance from primary load centers. Staff also questioned the wisdom of constructing transmission lines with the anticipation that: (1) additional resources will be constructed; (2) purchases from lower-cost extra-regional power markets will be made available; and (3) additional transmission lines will come on line to allow interconnection.

Thus, Staff believes that the necessity of the Project should be viewed in conjunction with energy resources that are constructed, underway or planned. PacifiCorp elected to undergo

² Staff did not address issues relating to the actual siting of the Project. Siting issues fall outside of the jurisdiction of the Commission and fall within the purview of the individual local governmental agencies where the transmission lines and substation are located.

a transmission upgrade as part of its preferred resource portfolio of an additional 2,000 MWs of renewable resources by 2013 in the Company's 2007 IRP. A significant portion of these renewable resources will be located in Wyoming. Staff then listed more than 500 MWs of renewable resources that are either under construction or in the final stage of development. In response to a Staff data request, PacifiCorp provided four alternatives that it rejected because the Company did not believe that they would provide sufficient capacity for these new resources. Staff agreed that the Project was necessary in order for the Company to continue to provide reliable service from these new resources to growing load centers.

Staff emphasized that it did not evaluate the overall prudence of the Company's resource plan or the construction of the Project which constitutes a good portion of that plan. Staff goes on to note that recovery of actual costs from Idaho ratepayers will not be assessed until construction of the Project is completed, full disclosure of Project expenses is provided and Project utilization is fully quantified.

The Company took several steps to notify landowners adjacent to the transmission corridor including: (1) an information flyer; (2) open house meetings with Company representatives; (3) Project specific e-mail and telephone number for customer concerns; and (4) regular Project updates posted on the Company's website.

The Commission has received 34 comments and complaints from the general public, mostly pertaining to siting and notification issues. PacifiCorp has received nearly an equal number of communications from Idaho customers relating to the Project. Staff noted that PacifiCorp responded to one set of complaints from landowners in Oneida and Bannock Counties by relocating the proposed transmission line corridor to lessen impact on the affected landowners. Nevertheless, Staff believes that, given the nature and magnitude of the Project, the public would have benefitted from an earlier notification of the Project's commencement. Also, the Company elected to hold open house meetings during December and January 2007 which typically are not conducive to public turnout. Staff opined that establishing communication with local governmental officials as early as possible would also be beneficial because it will allow these officials to be prepared to more adequately address their constituent's concerns.

In summary, Staff based its recommendation supporting the issuance of a CPCN 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.

COMMISSION DECISION

Does the Commission wish to approve PacifiCorp's Application for a Certificate of Public Convenience and Necessity for the construction of its Populus-Terminal Transmission Line and Populus Substation in the State of Idaho?



Neil Price

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