BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF THE POPULUS-TO-TERMINAL 345 KV TRANSMISSION LINE PROJECT	)))))	DOCKET NO. 08-035-42 DPU EXHIBIT 1.0

PRE-FILED DIRECT TESTIMONY

JONI S. ZENGER, PHD

ON BEHALF OF THE

UTAH DIVISION OF PUBLIC UTILITIES

AUGUST 1, 2008

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I. INTRODUCTION

Q. Please state your name and occupation.

A. My name is Dr. Joni S. Zenger. I am employed by the Division of Public Utilities (Division) of the Utah Department of Commerce as a Technical Consultant.

Q. What is your business address?

A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

Q. On whose behalf are you testifying?

A. The Division.

Q. Do you have any attachments that you are filing that accompany your testimony?

A. Yes. Exhibit 1.1 lists the previous dockets and dates in which I have testified in Utah. Exhibit 1.2 is a transmission topology map, showing the transmission constraints along the path related to this transmission line. The Western Electricity Coordinating Council (WECC) Path C Rating is attached as Exhibit 1.3. Exhibit 1.4 represents the Company's proposed Energy Gateway Transmission Expansion Project, and it illustrates the relationship of the Populus-

to-Terminal transmission segment to the project as a whole.

Q. Please describe your education and work experience.

A. I completed my Doctorate degree in economics at the University of Utah in early 2001. Prior to that, I earned my Bachelor's degree and Master's degree, also in economics from the University of Utah. I began working for the Division in the fall of 2000. In addition, I taught various economics and statistics courses for a ten-year period from 1996 through 2006, first at the University of Utah, and then at the University of Phoenix.

Q. Have you previously testified before the Utah Public Service Commission (Commission)?

A. Yes. I have testified on numerous occasions for the Division. As mentioned above, please see Exhibit 1.1 for a complete listing and dates.

II. PURPOSE AND RECOMMENDATION

Q. What is the topic and purpose of your testimony that you are now filing?

A. My testimony addresses PacifiCorp's application for a certificate of public convenience and necessity for its proposed Populus-to-Terminal transmission line. The purpose of my testimony today is three-fold. First, I review the

statutory guidelines that govern this application. I provide an overview and present the Utah Supreme Court ruling that set the precedent in cases such as this. Second, I explain my approach to investigating this case and the pertinent issues that I examined. I present my analysis of the need for the transmission line. Third, I report my findings and make recommendations to the Commission based on my analysis of this case. Additionally, the Division recommends that the Company be required to report periodically on the status of the project and the results of relevant IRP analysis.

Q. Can you summarize your conclusions and recommendations?

A. Based on the Company's requirement to meet the future load growth in Utah and maintain the reliability of PacifiCorp's transmission system, the Division finds there is a legitimate need for this transmission line to be built. The construction of this transmission line meets the statutory Public Convenience and Necessity requirement, is in the public interest, and is in the interest of Utah ratepayers. The Division recommends that the Commission grant the application contingent upon the Company obtaining all of the necessary permits required to construct and complete the proposed Populus-to-Terminal transmission line.

III. BACKGROUND

Q. Will you briefly explain the procedural history of this case?

A. On April 25, 2008, the Company submitted to the Commission an application for a certificate of public convenience and necessity (CPCN or certificate) authorizing the construction of a 345 kilovolt (kV) transmission line, known as the Populus-to-Terminal transmission line (the transmission line), in Box Elder, Weber, Davis, and Salt Lake Counties. A separate application was filed with the Idaho Public Utilities Commission for the portion of the line within Idaho.[1] In support of this application, the Company explained that, due to significant retail load growth over the past decade and anticipated future load growth, the Company will be unable to continue to provide the transmission capacity necessary for the delivery of safe, efficient, and reliable electric service to its customers.[2]

Therefore, the purpose of the line is to add significant incremental transmission capacity between southeast Idaho and northern Utah in order to 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 capacity by 300 MW from southeast Idaho to northern Utah in Docket No. 05-035-54 (known as "the Path C" upgrade).

[1] Case No. PAC-E-08-03, April 17, 2008. See www.puc.idaho.gov.
[2] Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity Authorizing Construction of the Populus-to-Terminal 345 kV Transmission Line Project, Docket No. 08-035-42, ¶ 3.

The Company's application was filed with supporting testimony of Mr. John Cupparo, Ms. Sharon Seppi, and Mr. Bruce Williams. On May 7, 2008, the Commission issued an Order establishing a Scheduling Conference for May 13, 2008. After a widely attended Scheduling Conference, the Commission issued its Scheduling Order on May 20, 2008.

Q. What was the significance of the Commission's Scheduling Order?

A. Besides establishing the dates governing the scheduling of this docket, the Commission's Order clarified that the purpose of this proceeding is limited to the issue of whether the present or future public convenience and necessity does or will require the construction of the transmission line.

Q. What topics are not a part of this proceeding?

A. The Commission clearly stated that the Utah Public Service Commission does not have jurisdiction over the location or siting of the line; therefore, no siting issues are to be addressed. Other issues that the Commission stated that are **not** to be addressed in this proceeding include concerns related to Utah local government entities' requirements for siting and cost issues, as well as prudence issues for ratemaking purposes. Prudence issues will be reserved for the appropriate time during a rate case or other appropriate filings. It should be noted that the Division has conducted its analysis under the standards for a certificate of public

convenience and necessity. The Division has not conducted an analysis of the prudence of this project. Therefore, our support for the issuance of a certificate in this docket should not be taken as a finding that the project was prudent.

Q. Have there been any recent applications filed with the Commission for certificates to construct transmission projects that you reviewed for guidance as part of this case?

A. I found that there has not been a request for a certificate to construct a transmission line for many years in this state. The last applications for a CPCN for a transmission line were Case No. 85-2011-01 and Case No. 85-999-08, both of which involved Utah Power & Light and Utah Association Municipal Power Systems in a dispute to build a transmission line in southern Utah. The Commission has received many applications for CPCNs for construction of other significant resources, but it has been decades since a transmission CPCN has been granted.

As I will discuss later in my testimony, the Populus-to-Terminal Line is only the first segment of a larger set of transmission projects being planned in the western interconnection.

IV. CASES AND STATUTES

Q. What statute governs when a company needs to obtain a CPCN?

A. The application process is addressed in UCA § 54-4-25, which states the following:

> (1) Except as provided in Section 11-13-304, a gas corporation, electric corporation, telephone corporation, telegraph corporation, heat corporation, water corporation, or sewerage corporation may not establish, or begin construction or operation of a line, route, plant, or system or of any extension of a line, route, plant, or system, without having first obtained from the commission a certificate that present or future public convenience and necessity does or will require the construction.[3]

Q. Have the courts given any guidance as to this statutory requirement?

A. Yes. There are several court cases that provide guidance with respect to interpreting UCA § 54-4-25. The most relevant is *Mulcahy v. Public Service Commission of Utah* where the Utah Supreme Court discussed at length the question as to what constitutes the "public convenience and necessity" contemplated by this section. The following excerpts from *Mulcahy* are instructive (bold added):

> The "convenience" and "necessity" required to support an application for a certificate of convenience and necessity are those of the **public**, not those of individuals. "Necessity" and "convenience" are not to be construed as synonymous. Convenience is much broader and more inclusive than necessity, but effect must be given to both.[4]

> And in determining whether or not the convenience and necessity of the public is best subserved by the proposed

[3] Utah Code Title 54 Public Utilities Statutes and Public Service Commission Rules. 2007 Edition, p. 40.
[4] *Mulcahy v. Public Serv. Comm'n*, 101 Utah 245, 117 P.2d 298 (1941), p. 8.

> service, the **needs and welfare of the people of the territory or community affected are considered as a whole**.[5]
>
> Necessity means **reasonably necessary** and not absolutely imperative. It does not mean "necessary" in the ordinary sense of the term. The convenience of the public must not be circumscribed by holding the term "necessity" to mean an essential requisite. **It means a public need without which the public, people generally of the community, would be inconvenienced or handicapped in the pursuit of business** or wholesome pleasure, or both.[6]

The statute implies that many factors need to be considered. However, the paramount consideration is the benefit and welfare of the public as a whole. The applicant must show that the existing service is not adequate and convenient and that the new service would eliminate this inadequacy and inconvenience. In other words, the Company must show that the public interest would be best served if the certificate were granted.

V. INTEGRATED RESOURCE PLAN

Q. Are there any Commission Orders or prior cases that you also looked to as part of the framework for the rest of your testimony?

[5] Id at p .9.
[6] Id at p. 9.

A. Under Commission Rule R745-430-1 and under the Energy Resource Procurement Act, UCA § 54-17, the Company must file an Action Plan as part of the development of an Integrated Resource Plan (IRP). The Company's IRP is a long-term strategy to help ensure that the Company continues to provide reliable, least-cost service, taking into account risk and uncertainty. The IRP determines the most robust resource plan using modeling and given a broad set of assumptions. The Commission's IRP Order identifies standards and guidelines that the Company must adhere to in its utility planning process to meet current and future energy needs, and taking into consideration a variety of risk factors while using a 20-year planning horizon."[7]

On May 30, 2007, PacifiCorp filed its 2007 IRP and the accompanying Action Plan with the Commission and other stakeholders.[8] This Commission did not acknowledge the Company's 2007 IRP. The Company is currently working on the case assumptions and modeling of its next IRP.

Q. In order for the Company's IRP to be acknowledged by the Commission, the Company must comply with the Commission's Order on Standards and Guidelines. Will you please describe the IRP process in order to understand the relationship of this transmission line to the Company's IRP?

[7] Report and Order on Standards and Guidelines, Docket No. 90-2035-01, June 18, 1992, p. 41.
[8] PacifiCorp 2007 Integrated Resource Plan Update, June 11, 2007, http://www.pacificorp.com/File/File82304.pdf.

A. The Company needs authorization to build the transmission line in order to meet its long-term planning needs. The Company's IRP, as well as its ten-year business plan, are both premised on transmission being built to deliver renewable energy to Utah and throughout PacifiCorp's service territory. The assumptions used in the current IRP were based on an optimal preferred portfolio of resources that included the addition of significant transmission projects.[9] Most important, all portfolios included the 300 MW Path C upgrade (the transmission line) and assumed the line will be constructed and be available in 2010.

In the 2007 IRP, the Company used proxy transmission additions to support new generation options in the model. The IRP assumed that transmission purchases would be phased in by 500 MW blocks for four transmission paths: Bridger East to Ben Lomond, Mona to Utah North, Wyoming to Bridger East, and Utah North to West Main. Exhibit 1.2 depicts the modeled transmission system topology that was used in the Company's IRP Update and long-term business plan.[10]

The 2007 IRP also identified 2,000 MW of renewable resources targeted by the end of 2013. Wind and other renewables are locationally constrained, so the Company must invest in additional transmission lines in order to deliver energy from the load centers to the customers. This transmission line is needed to deliver

[9] PacifiCorp's 2007 IRP, Chapter 8 Action Plan, June 11, 2007, p. 231, (bold added). PacifiCorp 2007 Integrated Resource Plan Update, http://www.pacificorp.com/File/File82304.pdf.
[10] Id at p. 8.

new wind resources from Wyoming to Utah, including the following confirmed wind projects:

- High Plains I, Wyoming (99 MW)
- Rolling Hills, Wyoming (99 MW)
- Glenrock, Wyoming (99MW)
- Seven Mile Hill, Wyoming (99 MW)
- Seven Mile Hill II, Wyoming (19.5 MW)
- Glenrock III, Wyoming (39 MW)

The 2007 IRP Action Plan states the following specific actions the Company intends to perform:[11]

- The Company plans to accelerate its previous commitment to acquire 1,400 MW of cost-effective renewable resources from 2015 to 2010 and increase this amount to 2,000 MW by 2013.
- The Company will seek to add transmission infrastructure and flexible generating resources, such as natural gas, to integrate new wind resources since it is expected that wind will comprise a large portion of the Company's accelerated and expanded renewable portfolio.
- The Company plans to expand its transmission system to allow the resources identified in the preferred portfolio to serve customers loads in a cost-effective and reliable manner.

[11] Id, p.221 Chapter Highlights (summarized to some extent).

Q. Has the Company's 2007 IRP included this transmission line, as well as other transmission projects, in its planning and risk modeling or in its long-term plan?

A. Yes. Path C, as well as other relevant routes were included in the Company's long-range plan for resource options in the current IRP. [12] Exhibit 1.3 depicts Path C, as it first appeared in the Western Electricity Coordinating Council (WECC) path rating catalog.[13] The Path C Upgrade (which after years of economic and feasibility studies,) has now been identified and planned for construction as the Populus-to-Terminal transmission line. The current IRP does not include the projected 1,700 MW transmission capability that will be available with the completion of the other segments of the Energy Gateway project; however, it does include the 300 MW from the Path C upgrade.

Q. It appears that the line in this case has been needed and planned for many years. Please comment.

A. As early as 2002, the U.S. Department of Energy (DOE), in its National Transmission Grid Study identified several transmission constraints. Most notable was that the Wyoming-to-Northern Utah interface was congested 50

12 PacifiCorp 2007 Integrated Resource Plan, May 30, 2007, pp. 113-114, http://www.pacificorp.com/File/File74765.pdf.
[13] Western Electricity Coordinating Council, 2003 Path Rating Catalog, Part VI, Item 1-50. www.wecc.biz.

percent or more of the hours during the year.[14] The 2004 Rocky Mountain Area Transmission Study (RMATS) found similar areas of congestion in the western interconnect. One recommendation from the RMATS report was a recommendation to build a new transmission corridor between Naughton and northern Utah and between Bridger and Midpoint.[15]

The DOE issued another report in 2006 identifying constrained transmission paths on the lines used to deliver electricity from generation plants in Wyoming to loads in Utah and Oregon and based on 2005 load forecasts. The DOE predicted that many of the associated paths would be heavily congested.[16] The Company has included an upgrade to this path in its long-term planning for several years.

Q. With respect to the Company's 2007 IRP, does Utah have a renewable energy plan that the Company must adhere to, and if so, is it included in the Company's current IRP?

A. Yes, although unlike the states of Oregon, Washington, and California, all of which have mandatory renewable portfolio standards (RPS), Utah has a less stringent renewable energy plan. During the past 2008 General Legislative Session, Senate Bill 202 was passed in Utah. This bill calls for at least 20 percent

[14] U.S. Department of Energy, National Transmission Grid Study, pp. 15-188. www.pe.energy.gov/documents/Transmission Grid.pdf.
[15] Rocky Mountain Area Transmission Study, September 2004, p. IV.
[16] U.S. Department of Energy, Western Congestion Assessment Study, March 15, 2006, www.doe.energy.gov/Documents and Media/DOE Congestion Study_2006_Western_Analysis.pdf.

of electricity sales be from renewable energy by the year 2025 (where cost effective). The Company set a voluntary renewable target in Utah of 8.5 percent of electricity sales by the year 2016. The Company's IRP must take into account, in its portfolio planning, the specific guidelines, standards, and RPS in all of the states in its jurisdiction.

Q. It appears that clean and renewable energy sources are a priority right now. Does this have an effect on the current case that you are reviewing?

A. Yes. New transmission lines are necessary for bringing in electricity from often-remote locations, such as wind farms or geothermal facilities, where transmission either has not been built at all or it needs upgrading. Transmission is important at this time for the Company to achieve renewable energy targets. To put this in perspective, the Western Governors' Association launched its Clean and Diversified Energy Initiative (CDEI) in June, 2004. As part of the CDEI, Governor Huntsman signed a resolution establishing a task force to identify task ways to increase renewable energy, energy efficiency, and clean energy technologies within the context of the overall energy needs of the West. In the Western Governor's Policy statement, paragraph 4 states the following:

> Western Governors find that a strong and resilient transmission and distribution grid is critical to electricity affordability and reliability. Grid expansion must also be undertaken in an environmentally responsible manner. We encourage regulators, policymakers, utilities, transmission operators and other stakeholders to consider the

recommendations identified within the CDEAC report in order to eliminate barriers to greater utilization of clean energy resources across the west.[17]

Q. What is the CDEAC report referenced above?

A. The initials "CDEAC" refer to the Clean and Diversified Energy Advisory Committee or task force that the Western Governors formed to identify technically and financially viable policy mechanisms to accomplish their goal of clean air. The CDEAC completed a transmission report which recommends and states that the West must improve the existing transmission system and expand the grid to deliver power from largely-remote resources to customers in load centers.[18] The CDEAC found that even with improvement in operation of existing transmission grids, new transmission will be needed to move new clean and diversified generation to markets. Finally, the CDEAC (in its Recommendation 12) urges regulatory commissions to acknowledge the public interest benefits of system-wide benefits and make public interest findings for cost-effective transmission projects that will enable states or the region to meet its energy goals.[19]

[17] Western Governors' Policy Statement, p. 4, www.westgov.org.
[18] Report of the Transmission Task Force, May 2006, Western Governor's Association Clean and Diversified Energy Initiative.
[19] Id. at p. 45.

Q. It appears that Recommendation #12 is a strong argument from the Western Governors' task force that applies directly to this case? Would you please comment?

A. Yes. Recommendation 12 implies that regulators should acknowledge and accept system-wide benefits from transmission expansion in making a public interest determination and as a factor for consideration of a certificate of public convenience and necessity for construction of transmission projects necessary to meet state energy goals and to ensure the efficient siting of new transmission and generation facilities.

VI. NEEDS ANALYSIS

Q. Given the IRP, what other analysis or process did you use to determine the need and necessity for this transmission line to be built?

A. I first looked at the Company's ability and willingness to finance this project. Then, I analyzed the current and projected network load growth, growth in peak demand, available alternatives, as well and the age of existing equipment and plant. I also reviewed mandatory reliability standards that the Company is required to meet, and commitments from prior Commission orders. Finally, I looked at the relationship of this transmission line to other planned transmission projects in the western interconnect.

With respect to the latter, the application filed by the Company in this proceeding is for a CPCN to construct the Populus-to-Terminal transmission line. However, it is important to take into consideration that this transmission line is an integral part of a larger project that includes approximately 1,700 miles of transmission lines throughout PacifiCorp's service area with an estimated project cost of $4 billion.

The project, named the Energy Gateway Transmission Expansion Project, includes Gateway West, Gateway South, and Gateway Central, all of which are intended to include new transmission lines, add to the existing main grid network, and new or upgraded substations. According to the Company, the Energy Gateway project was designed to meet the needs of PacifiCorp's network transmission customers by delivering network resources to loads, supporting retail load growth, and improving reliability--thus benefiting Rocky Mountain customers as a whole.

The Populus-to-Terminal transmission line constitutes the Segment B portion of Gateway Central (also described as Path C), and if approved and constructed as planned, is expected to interconnect with other regional projects, thus providing greater flexibility for the Company to access additional resources. Exhibit 1.4 illustrates the currently planned project and expansion area and shows how the Populus-to-Terminal Line serves as the transport line to bring energy from

surrounding energy sources in the west, most notably wind energy from Wyoming and Idaho. The Exhibit shows that this line (Segment B) has been assigned "priority one" status, in that it is designed to meet base load service and reliability.[20]

Q. Often a generation resource has been built first, and then the transmission facility was built and designed afterward to meet the needs of the generation resource? Why the change?

A. That is traditionally how projects have been designed in the past. However, PacifiCorp has determined that, with the current uncertainty of the role of conventional coal resources, the time that it takes to permit and build a major transmission facility itself and the inability of many renewable resource developers to finance transmission investments, it was time to site transmission ahead of specific generation resources to best position the Company's ability to meet forecasted load growth.[21] The Company stated that the transmission line for which a certificate is being requested in this docket will serve native load growth--that is its primary purpose. Also, the hub and spoke design, as described in the

[20] FERC Docket No. #EL-08-75-000 Petition for Declaratory Order of PacifiCorp to Confirm Incentive Rate Treatment for the Energy Gateway Transmission Expansion Project, July 3, 2008, Appendix A, Exhibit 1: Project Map.
[21] FERC Docket No. #EL-08-75-000 Petition for Declaratory Order of PacifiCorp to Confirm Incentive Rate Treatment for the Energy Gateway Transmission Expansion Project, July 3, 2008, p. 8.

Company's testimony, makes transmission a priority project in facilitating other energy resources.[22]

Regarding this topic, the Report of the Transmission Task Force for the Western Governors' Association (WGA) made a similar recommendation:

> **Recommendation 13: Transmission in Advance of Clean and Diversified Generation.** Urge Governors, state regulators, state legislatures, and FERC to expand transmission in advance of generation to enable the modular development of location-constrained, clean and diversified areas to meet cost effective RPS, IRP, and state goals.[23]

The Division believes that building transmission to facilitate the delivery of power to and from a variety of generation load centers, including clean and renewable energy sources, is consistent with the state's energy policies; for example, as defined in Senate Bill 202, and is in the public interest

VII. FINANCIAL VIABILITY

Q. In its Application, PacifiCorp states that the Company is financially stable and has the capability to finance the transmission line project. Will you please respond?

[22] Id.
[23] Western Governors' Association Clean and Diversified Energy, Transmission Task Force Report, May 2006, p. 46.

A. Yes. In Mr. Bruce William's Direct Testimony in this docket, he states that PacifiCorp senior secured debt is currently rated A3 by Moody's Investors Service and A- by Standard and Poor's—both investment grade ratings. The Division reviewed the Company's November 28, 2007 Compliance Filing in Docket No. 05-035-54 and verified this information to be true. Most recently, the Company's witness in its July 2008 Rate Case filing, Dr. Samuel C. Hadaway, stated that the ratings were still A3 and A- respectively.[24] Based on the Division's review, we conclude that the Company should have access to capital markets in order to borrow funds necessary to finance the construction of the project.

Q. PacifiCorp states that it "has received cash equity contributions from its parent company in the past, and if necessary, may again in the future."[25] How does the Company's relationship to its parent company facilitate its ability to make this large of an investment?

A. MidAmerican Energy Holding Company (MEHC) has shown itself to be a long-term investor in capital intensive energy businesses. MEHC is associated with Berkshire Hathaway (rated AAA), facilitating PacifiCorp's access to capital and reducing long-term debt financing costs. In the July 2008 General Rate Case

[24] Docket No. 08-035-38, Direct Testimony of Samuel C. Hadaway, July 2008, p. 3, lines 58-59.
[25] Direct Testimony of Bruce Williams, Docket No. 08-035-42, April 2008, p. 2, lines 34-36.

filing, Mr. Richard Walje, President of Rocky Mountain Power, states the following:

> The Company has greatly benefited from its ownership by MEHC, which has invested a total of $615 million in cash contributions while not receiving any dividends from PacifiCorp since the acquisition on March 21, 2006.[26]

MEHC, as part of its acquisition of PacifiCorp, committed to upgrade the Path C transmission infrastructure by 300 MW at the cost of approximately $78 million.[27] The Path C upgrade (as originally described) increased transmission capacity by 300 MW from southeast Idaho to northern Utah. When the other segments of the Energy Gateway Transmission Project have been completed, this transmission line will increase capacity by 1,400 MW. The exact route and definition of Path C may have varied since the initial planning, but the Populus-to-Terminal project constitutes a large segment of the Path C upgrade. The planned transmission upgrade is included in the Company's current IRP and is also necessary for PacifiCorp to be in compliance with the Commission's Order supporting the acquisition of PacifiCorp by MEHC.[28]

This proceeding does not in any way address the prudency of costs, cost recovery in rates, or cost allocation. Nevertheless, absent any major shocks in the

[26] Docket No. 08-035-38, Direct Testimony of A. Richard Walje, July 2008, p. 12, lines 251-253.
[27] Docket No. 05-035-54, Commitment #34.
[28] Commission Order approving Stipulation, Docket No. 05-035-54, issued January 27, 2006 and amended March 15, 2006.

economy, the Division finds that PacifiCorp can obtain the financing for this project at reasonable debt financing costs.

A. MEHC MERGER COMMITMENTS

Q. The Company states that its second justification for the construction of this transmission line is to meet the MEHC merger commitments that were put in place in Docket No. 05-035-54 in March, 2006. Will you please comment?

A. Yes. I previously mentioned two of the commitments by PacifiCorp and MEHC—the Path C upgrade and investment in transmission to facilitate renewable resources. In Commitment #34, MEHC committed its resources and leadership to assist PacifiCorp states in the development of transmission projects upon which the states could agree. The Path C Upgrade, the construction project being proposed in this application was identified as one of the most necessary. The Company agreed to upgrade the Path C capacity by 300 MW at an approximate cost of $78 million. The application for the CPCN to build this upgrade is necessary in order for the Company to fulfill this commitment.

Q. What benefits did MEHC and the Company identify would come from the upgrade of this line?

A. In Response to DPU Data Request 1.14, the Company listed the following:

- Enhance the reliability of the only high use commercial path between

Idaho and Utah.

- Provide for increased transfer capability between the east and west control areas.
- Facilitate the delivery of power from wind projects in Wyoming and Idaho.
- Provide PacifiCorp with greater flexibility and the opportunity to consider additional options regarding planned generation capacity additions

Q. Do you agree?

A. As previously described, Path C was in need of an upgrade, and the MEHC commitment to invest in the Company's transmission system is in the public interest and will benefit ratepayers as a result of the objectives listed above. This particular transmission line will facilitate the ability of the Company to access clean energy sources as well facilitate the Company's commitment to meet its voluntary renewable target of 8.5 percent of electricity sales by the year 2016.[29] The Division finds that the needs and welfare of Utah's citizens, as well as surrounding Rocky Mountain Power customers, will best be served by the approval of this line and the benefits envisioned by the merger commitment.

[29] See Renewable Action Plan, filed with PacifiCorp's 2007 IRP, May 30, 2007. http://www.pacificorp.com/File/File74767.pdf.

B. NETWORK LOAD OBLIGATION

Q. The Company states that it faces increasing and unacceptable risk of not meeting the necessary load service, and the primary need and necessity of the transmission line is the Company's necessity or requirement to meet its load obligation. Have you found evidence regarding the Company's load growth and projected load needs?

A. Yes. I reviewed testimony and exhibits filed in the December 2007 and July 2008 PacifiCorp General Rate Cases, as well as looked at current population estimates and other economic factors. One of the key drivers of load growth is population growth. The 2008 population estimates (released this month) by the Governor's Office of Planning and Budget, Demographics and Economic Analysis (DEA) show that Utah gained 82,400 new residents since July 2007, putting the state's total population at 2,781,954. Moreover, the DEA data forecasts that Utah's population is expected to grow to 3.5 million residents by the year 2017 and to 4.3 million by the year 2030.[30]

As previously described, the transmission line will travel through Salt Lake, Box Elder, Davis, and Weber Counties.

[30] www.governor.utah.gov/dea.

The graphic below shows that not only is Utah's population growing, but the counties through which the line will run are also growing.

Q. What other information did you find supporting the growth in Utah's population?

A. In a recent presentation to the Utah League of Cities and Towns, Dr. Michael E. Christensen, Director of the Office of Legislative Research, reported that Utah's population is projected to increase by approximately 587,000 this decade and 653,000 next decade. [31] Dr. Christensen's claims that, other than the decade of the 1980s, Utah's population has continually climbed each decade from the 1960s to the current data and projecting forward in to 2010. Where load growth is

[31] Dr. Michael E. Christenson, Office of Legislative Research and General Counsel. "Demographic Trends In Utah Affecting Public Policy Decision-Makers," presented to the Utah League of Cities and Towns, April 10, 2008.

concerned, this suggests that there will be increasing demand for electricity from consumers, as demand tends to coincide with population growth.

Q. What other data did you find about load growth?

A. In the 2007 General Rate Case, PacifiCorp witness Mr. G. Michael Rife stated that "from 2002 through 2006 the energy growth in Utah averaged 3.2 percent per year, and the summer peak average growth rate was 3.4 percent."[32] In the July 2008 General Rate Case, PacifiCorp witness Mr. Gregory N. Duvall reported that there has been a system-wide increase in load of 0.8 million megawatt hours or 1.4 percent since the 2007 case.[33] PacifiCorp witness Mr. Peter Eelkema states that the average annual growth rate in energy sales for Utah from 1996 to 2007 was 3.0 percent as compared to 2.5 percent for the Rocky Mountain Power region as a whole, and peak demand in Utah has increased by 4.23 percent, compared to 2.58 percent for the jurisdictional peak.[34] This information has not been verified by the Division as of this date.

Residential and industrial growth are driving load growth in Utah. The WECC incremental load forecast, provided in Response to DPU Data Request 1.14, states that Utah needs more than 1,800 MW of load between 2009 and 2017 to meet this growth.

[32] Direct Testimony of G. Michael Rife, Docket No. 07-035-93, page 14, lines 315-318.
[33] Direct Testimony of Gregory N. Duvall, Docket No. 08-035-38, p. 4, lines 78-80.
[34] Direct Testimony of Peter Eelkema, Docket No. 08-035-38, p. 5, lines 96-98, (not weather normalized).

Q. What is the most current information that you have stating the need for this line to meet the Company's network load obligation?

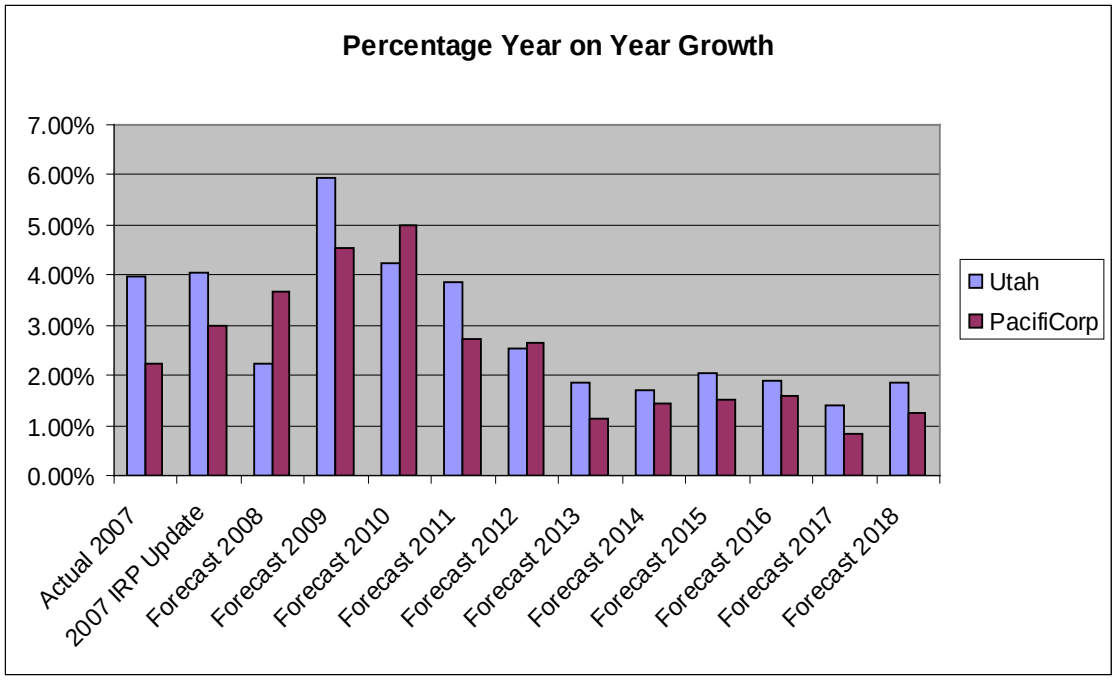
A. The Company's 2007 IRP shows the total net control area forecasts of loads increasing at an average rate of 2.4 percent annually from 2007 to 2016.[35] The 2007 IRP estimates that there will be system-wide load growth of 2.5 percent from 2007 to 2016 and a Utah average annual rate of about 3 percent. The IRP forecasts average annual loads increases averaging rate 4.5 percent. [36]

In the July 2008 General Rate Case, PacifiCorp witness Mr. Douglas E. Bennion testifies that the Company has seen significant peak load along the Wasatch Front at an annual rate of 5.1 percent. Moreover, the Company specifically notes increased commercial and industrial growth requests for service in Box Elder County (where the line runs through) and expects to see continued growth in the next two to three years.[37]

In the Company's Preliminary June 2008 Long-Term Load Forecast, presented at the June 26, 2008 IRP meeting, the Company used actual historical usage data from Company records dating from 1998 through 2007. The Company also used annual economic data from Global Insight (30 years of forecast). The June 2008

[35] PacifiCorp 2007 Integrated Resource Plan, May 30, 2007, p. 3, http://www.pacificorp.com/File/File74765.pdf.
[36] Id.
[37] Direct Testimony of Douglas N. Bennion, Docket No. 08-035-38, July 2008, p. 5, lines 115-120.

forecast summary showed that the percentage year-over-year growth of retail electric sales in Utah increases by 2.24 percent from the actual 2007 results. The ten-year average of the percentage year on year growth of retail electric sales volume shows an average of 2.77 percent increase over the next ten years and a 2.1 percent increase over the same period for the Rocky Mountain Power region in total. The chart below illustrates the Company's preliminary 2008 load forecast findings:[38]



The Division has not yet had the opportunity to verify these results or the underlying assumptions, but the data suggest that load will continue to grow as it

[38] PacifiCorp's Preliminary June 2008 Long Term Load Forecast. http://www.pacificorp.com/Article/Article23848.html, not yet posted as this is the Preliminary Report..

has over the past ten years and the Company will need to meet its network load obligation. The Division will analyze the load forecast and load growth projections in its audit of the 2008 General Rate Case.

C. ALTERNATIVES

Q. Will you please discuss alternatives that were considered in this case?

A. Yes. One alternative that the Company presented in Mr. Cupparo's Testimony, would be not to build the line. The Company looked at this option, but found that it would not meet the need for new incremental transmission capacity, and it precluded the ability of new energy resources to be delivered into Utah from Wyoming, Idaho, and the Northwest.

The Division contemplated this alternative. To serve the expected continued growth in electricity consumption and peak demand, especially along the Wasatch Front, additional electricity would need to be generated or imported into Utah by existing transmission facilities. The load would have to be met by curtailing or interrupting other customers. The goal to bring wind generation from Wyoming to Utah would not be feasible, and the entire Energy Gateway Project would have to be re-routed or canceled, since this line was a priority path for the project.

The Division finds this alternative to be unacceptable. It would not meet future load growth needs, would not address the Integrated Resource Plan and Business Plan of the Company, or the commitments made by PacifiCorp and MEHC as part of the acquisition. In addition, this alternative would not facilitate the state's energy goals to bring clean and diversified energy to the state.

Q. The Company mentioned a second alternative--to rebuild some of the existing 138 kV lines interconnecting Utah and southeast Idaho.[39] Does the Division's analysis show this to be an acceptable alternative?

A. The Division does not believe this is the best solution or alternative in this case. Although the Company could improve some of the existing structure, this option would result in a small incremental increase of 300 MW in transmission capacity. There are three 138 kV lines and one 345 kV lines that run from northern Utah to Idaho. The Division discovered through Data Request 1.14 that some portions of the current 138 kV transmission system from Salt Lake northward into southeast Idaho are very old, with some of the lines constructed prior to World War I.[40] If the load is too high, especially during summer peaking months, others might possibly experience outages.

[39] Direct Testimony of John Cupparo, Docket No. 08-035-442, pp. 4-5.
[40] See Response to DPU Data Request 1.14.

An individual transmission line can affect the entire transmission grid. Therefore, a single outage on any of the individual lines can cause significant reductions in transmission capacity on the grid itself. The Company explained that in order to beef up the system, key segments of the path would have to be removed from service while another line is being upgraded. The Company did not want to expose itself to this type of risk and unacceptable reliability exposures during the construction. The Company also stated that construction of this nature would take longer and interfere with the Company's overall transmission expansion projects.

The Division agrees with the Company and also finds that the incremental capacity gained by upgrading some of the 138 kV lines would not provide adequate transmission capacity for the expected load growth and plans to bring renewable energy to Utah. Incrementally increasing the lines would not reliably allow enough transmission capacity for larger flows of power to come in and out of Utah from the north and from the southeast.

An example of future needs includes increasing service requests to commercial development in Box Elder, bringing wind energy to Utah from Wyoming, increasing load growth to service the demands of the Wasatch Front and making the current transmission topology more reliable. This clearly shows that trying to upgrade the 138 kV lines and associated transmission plant, will not serve the future public convenience and necessity, but may even be a detriment to the

present convenience and necessity.

Q. It appears that system reliability was one of your concerns in looking at available alternatives. Is that correct?

A. Yes, very much so. The Division submitted several data requests to the Company about reliability and congestion on the transmission grid. The Company in turn provided to the Division a report that validated the congestion that currently exists on Path C. The Division cannot testify to the entire congestion on Path C, as the Company only provided a partial response to this data request, stating "it was too voluminous and complicated." However, the Company's Response to DPU Data Request 1.14 (b) includes curtailment data between May 2007 and April 2008.

Q. What are your findings regarding the first two alternatives proposed with respect to meeting the public interest standard?

A. The first two alternatives do not meet the public interest standard and do not address the present and future public convenience and necessity requirement. Given the current transmission topology, neither alternative is feasible.

Q, Were there any other alternatives that the Division looked at in lieu of constructing the transmission line?

A. A plausible alternative that the Division considered is demand side management and energy efficiency measures. Efficient use of energy and demand-side

measures would reduce usage and are important measures to reduce energy consumption. However, even with efficiency measures, the existing transmission system is severely constrained, as I described above. The transmission line would still need to be built to meet growing energy needs, including clean renewable markets. The Division finds that none of the above alternatives would achieve the long-range, system-wide needs, such as meeting load growth, system reliability, flexibility, congestion relief, and the delivery of power from renewable resources.

In the event that the Commission decides to not grant this application, the Company would not be able to meet its previously planned renewable energy resource additions or its network load obligation. Transmission projects can take up to five years to plan, permit, design, and construct. Since many potential and confirmed renewable resources are located far from population centers where the power must be delivered, the Company would not have time to find alternatives to the current plan, design, and construction layout. Therefore, additional transmission capacity must be built to deliver clean and renewable energy. Therefore, with respect to the Company meeting its IRP mandate, there is a legitimate need for this transmission line to be constructed.[41]

[41] PacifiCorp's 2007 Integrated Resource Plan, June 11, 2007 Plan, pp. 113-114. http://www.pacificorp.com/File/File82304.pdf.

VIII. THE DIVISION'S FINDINGS AND RECOMMENDATIONS

Q. Will you please summarize the Division's analysis and findings?

A. The Division studied and reviewed the statutory requirements applicable to this case. We then applied them to the variety of factors demonstrating the public interest requirement and the "convenience and necessity" requirement both for the future and the current time period. The Division makes the following findings in this case:

- The Company will be able to finance the transmission line either from its own funds or through external capital sources. The estimated project costs are in the range of $700-$800 million.

- The Company has secured franchise agreements permitting construction within public thoroughfares and has applied, or is in the process of applying, with local governmental entities for conditional-use permits and similar land use authorizations. To date, the Division is aware of two outstanding permits, but the Company is in the process of working to obtain them. These include Elwood City and Willard City.

- The transmission line will not conflict with or adversely affect the operations of any existing certificated fixed public utility providing retail

electric service to the public.

- The transmission line does not constitute an extension into the certificated service territory of any existing public electric utilities. To date there have been three parties that have intervened in this case: Western Resource Advocates (WRA), the Committee of Consumer Services and Willard City.

The Division finds this line is needed and complies with the "convenience and necessity" requirement based on the following reasons:

- The public welfare as a whole will be inconvenienced if no action is taken.

- The Company must meet its load growth obligation and forecasts show that both load and peak demand will continue to grow, especially along the Wasatch front and in commercial developments in Box Elder County. Population continues to grow, and this line is needed to serve the incremental capacity of transmission.

- This line will enhance PacifiCorp's ability to bring in clean energy sources from Wyoming and Idaho, both projected and confirmed to support the Governor's clean air initiatives.

- Utah needs this line in order to bring in clean energy sources from

Wyoming and Idaho, both projected and confirmed, and to support the Governor's clean air initiatives.

- The Company is exposed to unacceptable risk of outages, not meeting reliability standards, and the possibility of monetary sanctions but for this line.

- Ratepayers will benefit by having reliable service due to the increased transfer capability and flexibility provided by the line. The Division finds that the other considered alternatives were inferior to this line being constructed.

- The Company is willing to invest in this line and the entire energy Gateway project, and this line is the critical component that provides the link for the Gateway Energy Transmission Expansion Project in order for the project to realize the full benefits.

IX. CONCLUSION

Q. What is the Division's recommendation in this case?

A. The Division recommends issuance of the certificate contingent upon the Company acquiring all necessary permits. If the Commission grants the certificate, the Division further recommends that the Company file within ten

days of the Commission's order a report detailing all necessary permits indicating which ones are yet to be obtained and a time line of the expected acquisition for each outstanding permit. If after a reasonable time all necessary permits have not been acquired, the Division recommends that the Company be ordered to appear before the Commission explaining in detail any delays in obtaining the permits. Based on the Company's explanations of any delays, intervening parties may request additional information from the Company and the opportunity to file additional evidence in this case. The Division suggests 90 days after the Commission's order is a reasonable amount of time.

Q. Does the Division have any additional recommendations or proposals that pertain to this case?

A. There are two proposals that we recommend. The Division recommends that the Company be required to file quarterly updates with the Commission comparing the progress of the project to milestones, including both construction and budgetary milestones. The first report can act as a proposed report format, which parties can comment on.

Finally, in anticipation of future prudence review, the Division recommends that the Company be required to include the Populous-to-Terminal project in its current IRP for analysis and submit a separate report detailing the results to the Commission prior to any request for cost recovery. Preferably, the report would

be submitted concurrently with the report on the current IRP.

Q. Does that conclude your prepared testimony?

A. Yes.