Before the Utah Public Service Commission

In the Matter of the Pending Application of Rocky Mountain Power for a Certificate of Convenience and Necessity Authorizing Construction of the Sigurd-Red Butte No. 2 345 kV Transmission Line)))))	**Docket No. 12-035-97** **DPU Exhibit 1.0**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony

of

Joni S. Zenger, PhD

December 21, 2012

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

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. My business address is 160 East 300 South, Salt Lake City, Utah, 84111.

Q. On whose behalf are you testifying?

A. The Division.

Q. Please describe your education and work experience.

A. I completed my Doctorate degree in economics at the University of Utah in 2001. I have been working for the Division for approximately twelve years and have worked on various energy-related projects such as general rate cases, renewable energy, integrated resource planning, and electric transmission. I have testified before the Utah Public Service Commission (Commission) on numerous occasions for the Division, including two prior Certificate of Public Convenience and Necessity (CPCN) dockets requesting Commission approval for the construction of electric transmission lines.[1]

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

[1]Docket No. 09-035-54, Mona to Oquirrh Transmission Line CPCN Application, March 30, 2010 and Docket No. 08-35-42, Populus to Terminal Transmission Line CPCN Application, August 1, 2008.

A. I will present the Division's findings and recommendation regarding Rocky Mountain Power's (the Company) Application for a CPCN authorizing construction of the proposed Sigurd-Red Butte No. 2 345 kV transmission line (SRB Line or Project). In doing so, I will also provide a brief description of the Project, the analysis that the Division went through to arrive at its findings and recommendation, and other background information that the Division believes is relevant to this case.

Q. Please summarize the Division's recommendation regarding the pending SRB Line Application.

A. The Division's analysis supports the finding of need and associated benefits in constructing the SRB Line. The SRB Line will serve the present and future public convenience and necessity. The Company's requirement to service its current and future network customers, coupled with its requirement to meet stringent reliability standards for the electric transmission grid, supports the construction of the Project. The Division finds that the Company's Application generally complies with the requirements of Utah Code § 54-4-25 and recommends that the Commission approve the Application.

II. DISCUSSION AND FINDINGS

Q. Will you please describe the Company's Project that is the subject of the

proposed CPCN Application?

A. The proposed Project consists of a single circuit, alternating current (AC) 345 kV transmission line that runs approximately 170 miles between the existing Sigurd substation near Richfield, Utah, to the existing Red Butte substation near Central in Washington County, Utah.[2] The transmission line facilities will be built using primarily steel pole, H-frame structures with some lattice steel structures where the line changes directions or terminates. In addition, the Project requires construction of communication equipment, access roads, and new substation equipment to interconnect the Project with the existing Sigurd and Red Butte substations.[3]

Approximately 112 miles of the Project (or about 66 percent) will be located on lands administered by the Bureau of Land Management (BLM) and the U.S. Forest Service (USFS). Another 4.7 miles (or 2.8 percent) are located on state land. The remaining 52.5 miles (or 31 percent) of the Project will be located on private land or within land easements.[4]

Company witness Mr. Darrell T. Gerrard describes the environmental review process and the project timeline in his Direct Testimony and states that the Project

[2] http://www.blm.gov/ut/st/en/fo/cedar_city/planning/sigurd_to_red_butte.html.
[3] Id.
[4] Id.

is estimated to be in service by June 30, 2015.[5] As noted by Mr. Gerrard, the Project went through an extensive environmental and stakeholder review process, after which the BLM and coordinating agencies prepared a Draft Environmental Impact Statement (DEIS) that was published in the Federal Register for public comment on May 27, 2011. After holding public meetings and looking at several alternative routes that have been proposed, the BLM (designated as the lead federal agency) published a final EIS on October 5, 2012. The final EIS was distributed for further comment and for consistency review, upon which the BLM issued its Record of Decision (ROD) on December 7, 2012.[6] The ROD approves a 150 foot right-of-way across federal land and ensures that the Project complies with all applicable environmental laws and regulations.

Q. What analysis did the Division conduct in this docket?

A. The Division evaluated the Company's Application, including supporting testimony and exhibits and the data requests and responses exchanged in this proceeding to determine whether the information available to the Division and the evidence presented meet Utah's statutory requirements found in Utah Code Annotated § 54-4-25 (as interpreted in the *Mulcahy v. Public Service Commission of Utah* case). The Division understands that the statute and interpretation imply

[5] Direct Testimony of Darrell T. Gerrard, September 2012, pp. 3-4.
[6] https://docs.google.com/a/utah.gov/viewer?url=http://www.blm.gov/pgdata/etc/medialib/blm/ut/cedar_city_fo/planning/sigredbutterod.Par.39757.File.dat/BLM_SRB_ROD_2012.pdf.

that the present or future public convenience and necessity does or will require the line to be constructed and that the line or project must be "reasonably necessary and not absolutely imperative to meet the necessity requirement."[7] If the SRB Line enhances the needs of the public, and but for the line, the public would be handicapped or inconvenienced, then the public convenience and necessity requires that the CPCN be approved.[8]

The Division notes that it has not conducted an analysis of the prudence of the Project, but has limited its analysis in this docket to the standards for a CPCN described above. The Division's support for the issuance of a CPCN in this docket should not be taken as a finding that the project was prudent. Rather, prudence issues should be addressed during a rate case or other appropriate filing.

Project Need

Q. What reasonable need did the Division find that justifies Commission action to grant this Application for a CPCN?

A. The Division believes that the overarching and primary need for the proposed Project is based on the Company's obligation as a regulated utility to continue to provide safe, reliable, and cost-effective electric transmission service to its

[7] *Mulcahy v. Public Serv. Comm'n*, 101 Utah 245, 117 P.2d 298 (1941), pp. 8-9.
[8] Id.

network load customers.[9] The Company claims that the SRB Line (also known as Segment G of the Energy Gateway Project) is needed to improve the overall reliability of the Company's existing transmission system and to meet both short- and long- term customer demands for energy.[10]

The SRB Line will travel through Beaver, Iron, Millard, Sevier, and Washington counties in the southwest portion of the state. Although the southwest areas of the state suffered from the recession, overall growth in these counties continues and is forecasted to continue, although, at a sluggish rate.[11] Pointedly, in the 2010 U.S. Census, Washington County surpassed Salt Lake County in year-over-year percentage population growth (1.8 percent as compared to 1.2 percent).[12] With respect to demand, the 2012 total peak load was the highest ever recorded for the Washington County area.[13] With the Company's requirement to meet peak demand and service the future load in southwest Utah and the state as a whole, the Division believes that the SRB Line is needed. The Company is obligated to not only serve its retail customers, but also its transmission business or wholesale

[9] Network load includes retail customers, wholesale customers, and contractual load obligations. See FERC Orders 888 and 889. See OATT Section 28.2 – PacifiCorp's responsibilities, which include the requirement to "plan, construct, operate, and maintain the system in accordance with good utility practice.
[10] Direct Testimony of Darrell T. Gerrard - Errata, September 2012, p. 2, lines 29-31.
[11] The Sigurd to Red Butte in-service date was delayed by one year primarily because of the moderating load growth caused by the recent recession. PacifiCorp's 2013 IRP, Draft Transmission Planning and Investment document, October 29, 2012.
[12] April 2, 2010: U.S. Census Bureau.
[13] 2012 Southwest Utah Post-Peak Report, September 2012, OCS Confidential Attachment 1.1 (1), November 8, 2012.

customers, and its contract obligations to other network customers that request service through its Open Access Transmission Tariff (OATT).[14] Beginning with the PacifiCorp 2011 Integrated Resource Plan (IRP), the Company recognized the need for the SRB Line to support its current and future IRPs.[15]

In addition to load service, the Division reviewed the characteristics of the existing transmission infrastructure and the mandatory reliability requirements that require this Project to be built.[16] The Project is needed because the existing transmission system is inadequate. The Company's transmission system must be designed to meet strict Western Electric Coordinating Council (WECC) reliability criteria and mandatory North American Electric Reliability Corporation (NERC) bulk electric standards that contain penalty provisions if not met. The Division reviewed the Company's annual reliability assessment report of NERC TPL standards, which strongly indicates that the Company's transmission system in southwest Utah is insufficient to continue to meet NERC standard TPL-002. This

[14] The Division independently reviewed demographic data and current and projected electric demand (particularly in southwest Utah) to verify that the Line is needed to meet the Company's network load obligations. (See: 2011 IRP Update, March 2012; 2012 Economic Report to the Governor, November 29, 2012 http://www.governor.utah.gov/DEA/ERG/ERG2012/2012_ERG_11_20_2012.pdf.; U.S. Census Bureau, April 2, 2010; OCS Data Request 1.7, November 8, 2012; and the 2012 Southwest Utah Post-Peak Report, September 2012).

[15] PacifiCorp's 2011 IRP, March 31, 2011, p. 285, "The capacity of the southwest Utah transmission system, including the existing Sigurd to Three Peaks to Red Butte 345 kV transmission line, is fully utilized and cannot currently provide adequate service under all operating conditions. Loads in southwestern Utah are forecasted to surpass the capabilities of the existing transmission system. Without the project, peak load in southwestern Utah cannot be reliably served during transmission line outages or major equipment contingencies."

[16] Direct Testimony of Darrell T. Gerrard, Exhibit DTG-4, September 2012.

situation necessitates the construction of the SRB Line.[17] The transmission facilities existing today cannot provide adequate and reliable service under all expected operating conditions and expected future customer demands. The Division found it unsettling that the Company was meeting the current NERC standards only by means of a supply agreement capable of providing backup service during N-1 conditions (when one line is out of service). The agreement, between NV Energy and UAMPS, was such that NV Energy supplied back-up generation and associated transmission service to UAMPS during outages on the existing Sigurd to Red Butte transmission line.[18] This contract was recently terminated, necessitating the SRB Line even more urgently.[19]

Project Benefits

Q. In addition to the load service and reliability benefits mentioned above, are there other public welfare benefits that would accrue if the SRB Line is built?

A. Yes. The SRB Line will provide an installed capacity of 600 megawatts.[20] As part of the Company's Gateway Transmission Expansion Plan, the SRB Line is designed to ensure that sufficient capacity will be available to meet the electrical power needs of the Company's new and existing customers in all six states it

[17] Confidential Attachment OCS 1.2, November 8, 2012.
[18] OCS 2.4, November 28, 2012.
[19] Id.
[20] Attachment DPU 1.15, November 8, 2012.

serves. The SRB Line will also increase capacity and reliability for customers of the various municipal and rural electric systems in Utah, served by Utah Associated Municipal Power Systems (UAMPS) and Deseret Generation and Transmission (DG&T), both network customers of the Company. The SRB Line provides a critical path to meet load obligations and maintain transmission capacity on the TOT2C path for contracted point-to-point service. The TOT2C path runs from southwestern Utah to southern Nevada.[21]

The bulk electric system will be more reliable as a whole, and there will be an increased transfer capacity from 400 MW to 600 MW in the north to south direction once the SRB Line is completed.[22] In light of stiffer NERC penalties and more stringent WECC standards, the Division notes the importance of looking at the bulk electric system as a whole and how the SRB Line will enhance the existing transmission infrastructure by providing additional transfer capabilities, improved security, and reliability, backup in the event of an unexpected outage, reduced congestion on the grid, and the flexibility to use future generation and interconnected transmission facilities.

In the federal review process, other public benefits are identified such as economic development opportunities in southwest Utah, the promotion of off-

[21] Id.
[22] Attachment DPU 1.15, November 8, 2012.

system sales and purchases, access to renewable generation sources, and the creation of approximately 255 jobs.[23]

The SRB Line benefits the public in the long-term as it appears to represent the lowest cost and least risk alternative to serving network customers. As part of its long-term planning process, the Company looked at various alternatives to building the Project during the IRP process, including not building the SRB Line, using demand side management and energy conservation to reduce usage, constructing new generating facilities in southern Utah, and using alternative transmission technologies.[24] Evaluating the results of these analyses, the Company concluded that additional transmission capability in southwestern Utah is the least cost option. The Division finds that none of the above alternatives would achieve the long-range, system-wide needs of meeting load growth and providing system reliability.

In addition to the IRP process, the Company completes an "Energy Gateway Financial Analysis" every year, whereby it re-examines its Energy Gateway Project and individual segments of Energy Gateway to look at alternatives and to

[23] http://www.blm.gov/ut/st/en/fo/cedar_city/planning/sigurd_to_red_butte.html.
[24] See DPU 1.6, DPU 1.9, DPU 1.19, PacifiCorp's 2011 IRP and 2011 IRP Update, March 31, 2011 and March 31, 2012, respectively.

calculate net power cost savings.[25] The total cost of the Project is expected to be approximately $380 million.[26] In its most recent financial analysis, the Company estimates that there will be net power cost savings for customers as a result of the building the SRB Line.[27]

Q. In light of the above analysis and discussion, what does the Division recommend with respect to the Project and the pending CPCN Application?

A. The Division recommends the Commission approve the CPCN Application so the Company can proceed to build the SRB Line. The Company has already obtained its required federal permits and all local government and conditional use permits. The Company is financially capable of supplying, and is willing to supply, the capital to construct the SRB Line. The remaining obstacle for the Company is to obtain Commission approval to construct the SRB Line in the state of Utah.

II. CONCLUSION AND SUMMARY

Q. Please summarize the Division's analysis and findings.

A. The Division studied and reviewed the statutory requirements applicable to this case. The Division then applied them to the variety of factors demonstrating the

[25] Confidential Attachment DPU 1.19 (a) and 1.19 (b), November 8, 2012 and Confidential Attachment DPU 4.1 and 4.2, November 28, 2012.
[26] DPU 1.4, November 8, 2012 and OCS 1.4, November 8, 2012.
[27] Confidential DPU 1.12, November 8, 2012.

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 Division finds that the Company's Application generally complies with the requirements of Utah Code § 54-4-25 and recommends that the Commission approve the Application.

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

- The Company's requirement to service its current and future network customers, coupled with its requirement to meet stringent reliability standards for the electric transmission grid, necessitates the construction of the Project.

- The Company is required to meet stringent WECC and NERC reliability standards for the electric transmission grid, and these standards necessitate the construction of the Project. 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 SRB Line benefits the public in the long-term as it appears to represent the lowest cost and least risk alternative to serve network customers. The Division finds that the other considered alternatives were inferior to this line being constructed.

- The SRB Line is an integral segment of the overall Energy Gateway project. The Company is willing to invest in this segment of the Energy Gateway project, and it will continue to pursue the Energy Gateway strategy, which will result in even more benefits as the other segments are completed over time.

Q. What is the Division's recommendation and conclusion?

A. The Division concludes that the SRB Line will serve the present and future public convenience and necessity. The Division recommends the Commission approve the Company's CPCN Application.

Q. Does that conclude your prepared testimony?

A. Yes.