



- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky
Mountain Power for a Certificate of Public
Convenience and Necessity Authorizing
Construction of the Mona-Oquirrh 500/345
kV Transmission Line

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DOCKET NO. 09-035-54

REPORT AND ORDER

ISSUED: June 16, 2010

SHORT TITLE

Rocky Mountain Power Mona-Oquirrh Certificate Case

SYNOPSIS

The Commission grants, subject to conditions, a certificate of public convenience and necessity authorizing Rocky Mountain Power to construct a 500/345 kV transmission line and related facilities between its existing Mona and Oquirrh substations.

DOCKET NO. 09-035-54

- ii -

TABLE OF CONTENTS

APPEARANCES.....iii

I. PROCEDURAL HISTORY.....4

II. POSITIONS OF THE PARTIES.....5

A. Need for the Mona-Oquirrh Line.....5

B. Status of Permits.....12

C. Source and Adequacy of Funds.....13

III. DISCUSSION, FINDINGS AND CONCLUSIONS14

A. Need for the Mona-Oquirrh Line14

B. Status of Permits.....16

C. Source and Adequacy of Funds18

IV. ORDER18

DOCKET NO. 09-035-54

- iii -

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DOCKET NO. 09-035-54

- 4 -

I. PROCEDURAL HISTORY

On June 30, 2009, Rocky Mountain Power, a division of PacifiCorp (“Company”), filed a notice of intent to seek authority to construct a new 500/345 kilovolt (“kV”) transmission line, to be known as the Mona-Oquirrh Transmission Line (“Mona-Oquirrh Line” or “Project”), in Juab, Utah, Tooele, and Salt Lake Counties.

On July 22, 2009, the Commission issued a Report and Order opening this docket, commencing discovery, and seeking public comment. During September and October 2009, the Commission received various written comments on the Project from members of the public and local governmental entities.

On November 23, 2009, the Company, pursuant to Utah Code Ann. §54-4-25, filed its Application for Certificate of Public Convenience and Necessity (“CPCN”) to construct the Mona-Oquirrh Line with supporting testimony and exhibits.

On January 12, 2010, the Commission issued a Scheduling Order establishing dates for interested parties to file testimony, and for evidentiary hearings and public witness statements.¹

On March 30, 2010, the Division of Public Utilities (“Division”) filed direct testimony and supporting exhibits addressing the application. On May 5, 2010, the Company filed rebuttal testimony, followed by the Division’s surrebuttal on May 18, 2010.

¹ The Scheduling Order emphasizes the statutory purpose of this proceeding: to examine whether the public convenience and necessity does, or will, require construction of the Mona-Oquirrh Line. The Commission’s jurisdiction in this proceeding does not extend to the location or siting of utility facilities. Except in narrow circumstances not applicable here, siting issues are the province of local and other governmental entities.

DOCKET NO. 09-035-54

- 5 -

The Commission held an evidentiary hearing on May 24, 2010, at which time testimony and exhibits were received, and witnesses cross-examined. The Division was the only party, in addition to the Company, to prepare testimony and participate in the hearing. No members of the public appeared or offered statements at the public comment hearing held this same date.

At the conclusion of the hearing, the Commission issued a bench ruling approving the requested CPCN, subject to certain conditions and limitations. This Report and Order memorializes that ruling.

II. POSITIONS OF THE PARTIES

A. Need for the Mona-Oquirrh Line

The Company testifies the present and future public convenience and necessity requires construction of the proposed transmission line. The Company asserts the Mona-Oquirrh Line is an integral part of PacifiCorp's Energy Gateway Transmission Expansion ("Energy Gateway"), described as a "hub and spoke" strategy to efficiently integrate transmission capacity and collection points with resources and load centers. The Company asserts the Project will enhance overall transmission system reliability by adding system capacity northbound and southbound between the Company's power plants in Utah and access to other sources of energy in the Four Corners Region and the Desert Southwest.

The Project has several components, most of which, if certificated, will be constructed as soon as practicable after they are authorized. The remaining part would be

DOCKET NO. 09-035-54

- 6 -

constructed later, in conjunction with another segment of the Energy Gateway known as Gateway South, currently planned to be built between 2017 and 2019.

According to the Company's direct testimony, the basic elements of the Project to be constructed in the near term are: 1) a single circuit 500/345 kV transmission line approximately 65 miles long from the existing Mona Substation in Juab County to the proposed site of a Limber Substation (to be located in Tooele County), 2) a 35-mile double circuit 345 kV line from the Limber Substation to the existing Oquirrh Substation in Salt Lake County, and 3) various upgrades to the Mona and Oquirrh Substations necessary to accommodate these new lines. In rebuttal and hearing testimony the Company added to the near-term construction: 4) the Clover Substation (initially called the Mona Annex) to be located about three miles from the Mona Substation (and by implication a transmission line connecting these substations), and 5) the Limber Substation.

The Company proposes to construct the Mona-to-Limber transmission line with 500 kV capacity but initially to operate it at 345 kV. In about 2019, when Gateway South is completed, the line will be energized to 500 kV. In this same time period the Company plans to build the final element of the Project, a double-circuit 345 kV line connecting the Limber Substation to the existing Terminal Substation in Salt Lake County.

The Company notes the Mona-Oquirrh Line is part of PacifiCorp's 2008 Integrated Resource Plan ("IRP"). As characterized by the Company, this planning process is a resource portfolio and risk analysis framework. It is used to specify prudent future actions the Company must take to continue to provide reliable and least-cost service to its customers. The

DOCKET NO. 09-035-54

- 7 -

IRP strikes a balance between cost and risk over the planning horizon, and considers environmental issues and energy policies in the states PacifiCorp's system serves.

The Company maintains recent IRPs show additional transmission capacity, i.e., the Energy Gateway, is required to support future resource needs. Moreover, the Mona-Oquirrh Line has been an integral part of the Energy Gateway plan for several years and thus is part of PacifiCorp's modeled transmission topology for the purpose of selecting its preferred resource portfolio. The Company's success in providing low-cost energy depends on its ability to acquire power from numerous sources. The Company undertakes the Project to bolster transmission capacity between Mona and the Wasatch Front, thereby expanding utilities' opportunities to take advantage of economical power transfers, sales, and purchases into and through Utah. Without the increased transmission capacity the Project will produce, the Company asserts it will face an unacceptable risk of not being able to meet its load service obligations during all periods.

In the Company's view, the IRP also highlights the extreme importance of strengthening PacifiCorp's transmission grid to comply with reliability standards mandated by the Federal Energy Regulatory Commission ("FERC"), the North American Electric Reliability Corporation ("NERC") and the Western Electricity Coordinating Council. These standards address both normal system operations, and generation and transmission plant outages. The Company notes these requirements are designed so the grid will "withstand sudden disturbances or unanticipated loss of system elements. Increasing transmission capacity often requires redundant facilities to meet NERC reliability criteria." The Company testifies the Project is necessary to meet these criteria. Moreover, the Project's system reliability benefits are fully

DOCKET NO. 09-035-54

- 8 -

gained by locating new transmission lines away from existing lines in a separate corridor, thereby reducing the risk of multiple line outages.

The Company references PacifiCorp's FERC Open Access Transmission Tariff as another important driver of the Project. According to the Company's testimony, this tariff obligates PacifiCorp to provide adequate and nondiscriminatory network transmission service for delivery of network generation to loads. The Energy Gateway, including the Project, is the Company's plan to enable it to continue to meet these requirements. Similarly, the Company points to its contractual service obligations to Utah Associated Municipal Power Systems, Utah Municipal Power Association, and Deseret Generation and Transmission. The Project's added northbound transfer capacity is, in the Company's judgment, essential to its future reliable service to these entities.

Other long range planning tools the Company uses also identify a pressing need for the additional transmission capacity the Project will create. The Company offers its 2004 "Wasatch Front Spatial Load Forecast" as a relevant example. Through this land-use-based analysis, the Company identifies an immediate need to plan for and provide additional transmission system capacity to the area interconnected to the Oquirrh substation in order to meet projected electrical demand.

Notwithstanding the recessionary economy, the Company expects Utah population growth to remain strong. Data from the "2009 Economic Report to the Governor" supports this view. The Company expects this increased population to result in higher demand for electricity across all customer classes, despite conservation efforts. According to the

DOCKET NO. 09-035-54

- 9 -

Company, its transmission facilities must stay ahead of this demand, estimated to reflect a 2.6 percent annual load growth rate. This need is particularly acute with respect to Utah's largest load center, the Wasatch Front and surrounding areas, including Salt Lake, Utah, Tooele, Davis, Weber, Cache, and Box Elder Counties. PacifiCorp's network transmission customers use energy purchases in southern Utah to serve these loads in northern Utah, and the existing capacity north of the Mona substation is fully subscribed and constrained. The Company contends the Project is essential to meet both short- and long-term energy demand in the Wasatch Front load center.

As to the timing of Project construction, the Company describes long lead times associated with such major infrastructure additions. Pre-construction activities include siting, permitting, design, material ordering, and logistics. Construction challenges like high elevations and difficult terrain also affect the Project schedule and will require all remaining time to complete the near-term portions of the Project by 2013.

Finally, the Company testifies it examined various alternatives to the Project during the IRP process, including demand-side management and conservation measures, constructing new generation facilities in the Salt Lake area, adding capacity to existing transmission lines, and implementing alternative transmission technologies. The Company asserts none of these options addresses its energy resource needs as effectively as the Mona-Oquirrh Line.

The Division testifies it has examined the Company's application, supporting testimony and exhibits, and additional underlying information produced in response to Division

DOCKET NO. 09-035-54

- 10 -

inquiries. Following its review of these materials, the Division concludes the Mona-Oquirrh Line meets the statutory public convenience and necessity requirement, is in the public interest, and will benefit Utah ratepayers. Accordingly, the Division recommends the Commission grant the requested CPCN, subject to the following conditions: 1) the Company must obtain all necessary permits and, 2) the Company must complete construction of the approved new facilities within five years or seek a new certificate.

The Division views the Project as playing an important role in the overall Energy Gateway strategy. It sees value in augmenting the connection between PacifiCorp's east and west control areas and refers to the increased system-wide access to new and existing resources that will result. The Project is the second and final segment of Gateway Central. The first segment is the previously-certificated Populus-to-Terminal line soon to be in operation. The Division maintains the completion of Gateway Central will meet several needs, including "improving reliability, enhancing operational flexibility, facilitating economic market sales and purchases, and providing transmission capacity for projected generation resources." In particular, the Division sees the Clover Substation becoming a major interconnection point for power sales, transfers and purchases, as other elements of the Energy Gateway come into being.

The Division relates the need for these system improvements, at least in part, to expected load growth. The Division's testimony supports the Company's evidence that average electric load in this state is expected to grow at an annual rate of 2.6 percent for the next ten years. Similarly, the IRP projects load growth throughout PacifiCorp's service territories to increase at an average rate of 2.1 percent from 2009 to 2018. The Division testifies load growth

DOCKET NO. 09-035-54

- 11 -

in Utah will be driven primarily by increased population. Moreover, 60 percent of the state's projected population growth is expected to be in the Salt Lake, Davis, Utah and Weber Counties.

According to the Division, electric load in these counties will soon exceed the capacity of existing transmission facilities that bring energy to this load center from generation facilities located to the south. In particular, the Division points to portions of the transmission corridor from Mona to the Camp Williams Substation that are currently at maximum reliability limits. The Division believes the Mona-Oquirrh Line will provide needed energy transfer capacity and operational flexibility essential to reliable service. Additionally, the Division agrees with the Company's conclusion that other considered alternatives are inferior.

While the Division concurs the Project is required by public convenience and necessity, it expresses concern about those portions of the Project it perceives to have distant or uncertain future construction dates, i.e., the Limber-to-Terminal line and the Limber and Clover substations. The Division believes conditions could change over the next several years altering the need for, or the scale of, these Project elements. In the Division's view it is not wise public policy to authorize construction of major facilities when this degree of uncertainty exists, as to the timing and level of future need. Accordingly, the Division recommends the Commission issue a certificate for all aspects of the Project but with a five year expiration date.

The Division's testimony also raises questions about transmission asset cost recovery, noting the Project's costs will be recovered from PacifiCorp retail and wholesale customers. The Division represents current practice is to allocate all transmission cost to retail customers with a revenue credit from wholesale users. The Division questions this practice

DOCKET NO. 09-035-54

- 12 -

going forward but anticipates this issue will be taken up in future proceedings addressing Project cost recovery. The Division recommends the Commission specify now the type of load and sales information required to support cost allocation findings in that proceeding. The Division further recommends the Commission direct this information be included in future transmission line certificate applications and cost recovery filings.

B. Status of Permits

The Company testifies it has obtained all permits necessary for the Project except a conditional use permit from Tooele County, which declined to issue one due to various concerns. The Company reports the issues related to this permit are currently under consideration by the Utility Facility Review Board ("Board"). The Company also clarifies this permit does not address the Limber-to-Terminal transmission line. The Company plans to seek the Limber-to-Terminal line permit in the future.

The Bureau of Land Management ("BLM") issued its Final Environmental Impact Statement ("FEIS") on April 23, 2010, approving with minor changes the Project route the Company seeks. The FEIS is now subject to public comment following which the Company expects the BLM to issue its Record of Decision. The Company believes the BLM decision will result in the issuance of rights-of-way and authorization for the Company to begin construction on all affected BLM-administered land. The Company urges the Commission to grant a CPCN that will allow the Company, at its discretion, to begin construction on those parts of the route for which it has received approval by the relevant government permitting authority.

DOCKET NO. 09-035-54

- 13 -

The Division points out the locations of the Tooele County Project elements are uncertain, in the absence of the Board's decision. Because the Company considers the Limber-to-Oquirrh line, located in Tooele County, critical to the overall Project, the Division believes changes to the Tooele County Project components could necessitate material changes in the locations of other Project elements. Accordingly, the Division recommends the Commission condition the entire CPCN on the Company acquiring the Tooele County conditional use permit.

C. Source and Adequacy of Funds

The Company estimates the entire cost of the Project to be approximately one billion dollars, including both the near-term and future Project elements. The Company testifies it expects to use a reasonable mix of capital to fund the Project. The mix will provide, in the Company's view, a competitive cost of capital and predictable capital market access, and will allow the Company to remain financially stable. The sources of Project funds will include operating cash flows, issuance of long- and short-term debt, and, if necessary, new equity.

The Division examined reports of credit rating agencies and PacifiCorp financial filings, and concurs the Company can finance the Project and remain financially stable. The Division's financial analysis initially addressed Project costs at a \$450 million dollar level. Following the Company's disclosure of a complete Project cost estimate of \$1 billion, the Division re-evaluated and re-affirmed its conclusion. The Division notes PacifiCorp's A-corporate credit rating and its "excellent" business risk profile. The Division also references the financial support available to PacifiCorp and the Company through PacifiCorp's parent,

DOCKET NO. 09-035-54

- 14 -

MidAmerican Energy Holding Company, and through MidAmerican's owner, Berkshire Hathaway.

III. DISCUSSION, FINDINGS, AND CONCLUSIONS

A. Need for the Mona-Oquirrh Line

The Company has the statutory obligation to provide adequate electric service in its franchise service territory. To this end, and as required by this Commission in Docket No. 90-2035-01, the Company engages in the IRP process described briefly above.² The 2008 IRP dated May 28, 2009, and the 2008 Update dated March 31, 2010, are the most recent products of this process. Its purpose is to identify the optimal set of resources, given the expected combination of costs, risks and uncertainties, over the long run to provide safe, reliable and efficient service for customers.

The 2008 IRP and IRP Update identify the Company's transmission expansion plan, Energy Gateway, as the blueprint to most efficiently integrate transmission lines and collections points with resources and load centers. The Company presents the Project as an integral part of this overall plan. The Division's testimony supports the Company's evidence. Moreover, the testimony of these parties supporting need for the Project is undisputed.

We find the Company has adequately demonstrated the need for those elements of the Project it plans to construct by 2013. The record is clear that without the resultant increased transmission capacity, the Company will face an unacceptable risk of failure to meet its load service obligations. Moreover, we recognize the need for PacifiCorp to strengthen its

² See, Report and Order, June 18, 1992, 90-2035-01.

DOCKET NO. 09-035-54

- 15 -

transmission grid in order to comply with important regional and national reliability standards and directives. The Project is a key component of this effort.

The record also demonstrates the Project, and more broadly the Energy Gateway, will increase the Company's system-wide access to new and existing resources. This access will facilitate economic market sales and purchases. As the Company testifies, its success in providing low-cost energy depends on its access to numerous sources of supply.

While we acknowledge the need for the transmission capacity that will result from the Project's initial construction phase, we share the Division's reservations about the Limber-to-Terminal Line. The point at which future load growth will warrant construction of this line is uncertain. The Company has no specific construction date planned. The Company's best view is the line may be needed sometime between 2017 and 2019, but no "in service date" has been established by the Company.

We find the Company has not adequately established the present or future need for the Limber-to-Terminal transmission line. There is no assurance conditions seven or more years from now will not alter the need for, nature, or scale of this line. Additionally, the Company has not received, nor is it in the process of obtaining, a conditional use permit for this line. Accordingly, construction of the Limber-to-Terminal transmission line is not authorized under the certificate granted herein.

We recognize a degree of uncertainty also exists as to the dates for construction of the Limber and Clover Substations. The Company's most recent estimates, however, show them to be needed as early as 2013-2014, to address projected reliability issues and local load growth.

DOCKET NO. 09-035-54

- 16 -

We therefore authorize their construction now, including the three-mile line between the Mona and Clover substations.

In light of the foregoing, we find the present or future public convenience and necessity does or will require construction of the Project, as follows: 1) a single circuit 500/345 kV transmission line approximately 65 miles long from the existing Mona Substation to the proposed site of a future Limber Substation (to be located in Tooele County), 2) a 35-mile double circuit 345 kV line from the Limber Substation to the existing Oquirrh Substation in Salt Lake County, 3) upgrades to the Mona and Oquirrh Substations necessary to accommodate these new lines, 4) the Clover Substation, including the three mile transmission line connection to the Mona Substation, and 5) the Limber Substation.

We will address the Limber-to-Terminal line in connection with a future application, should the Company choose to file one. Our disposition of this issue renders unnecessary the Division's recommended five-year CPCN expiration date. We also decline to adopt the Division's recommendations concerning future reporting requirements and the type of load and sales forecast evidence the Company must present in future CPCN applications or to support future recovery of Project costs. The information the Division seeks will be available through the discovery process.

B. Status of Permits

The record shows the Company has received, or is in the process of obtaining, all required consents, franchises and permits necessary for the construction and operation of the

DOCKET NO. 09-035-54

- 17 -

Project. Two items in this category remain pending. The first is the conditional use permit Tooele County has declined to issue, a matter now awaiting Board decision.

When, at the time of our consideration, a necessary permit has not yet been secured, Utah Code §54-4-25 directs us to condition a certificate, if granted, upon receipt of the required permit. As we have noted in a prior CPCN decision, Utah Code §54-4-25(3) defines the Commission's authority to "prescribe the terms and conditions for the location of [utility] lines, plants, or systems. . . ." Our CPCN jurisdiction over line location extends only to those situations where utility construction may "interfere with the operation of the line, plant or system of any other public utility already constructed" and then only upon the complaint of the utility claiming injury. No such claim or complaint exists in this case. The Tooele County conditional use permit controversy does not involve the lines of any other public utility. Accordingly, we do not address in this decision the public comments presented to the Commission concerning line location. We do, however, condition our approval of the requested certificate. The authority granted under this certificate to proceed with construction in Tooele County is conditioned upon the Company obtaining the outstanding permit from Tooele County.

The second pending consent item is BLM's Record of Decision. The record shows BLM issued its FEIS in late April, approving with minor changes the transmission routes the Company plans to use. The Company expects it will soon receive the Record of Decision and be permitted to begin its planned construction on federal land. The record presents no reason for us to anticipate a different outcome from that reflected in the FEIS.

DOCKET NO. 09-035-54

- 18 -

C. Source and Adequacy of Funds

The evidence is undisputed the Company has sufficient access to capital to finance the Project and a capital structure that renders the Company financially stable. The Division's testimony corroborates the Company's showing. We find the Company's evidence of financial stability and capacity to be adequate.

IV. ORDER

Wherefore, based on the evidence presented and pursuant to the foregoing discussion, findings and conclusions, we issue the following Order and Certificate:

1. The Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity to construct the Mona-Oquirrh 500/345 kV transmission line is granted, except for that portion of the transmission line connecting the Limber and Terminal Substations.
2. As to that portion of the Mona-Oquirrh Line located within Tooele County, this Certificate is conditioned upon the Company receiving the required conditional use permit.
3. As to those portions of the Mona-Oquirrh Line located on BLM-administered lands, the Certificate is granted subject to BLM's forthcoming Record of Decision.
4. The Company shall provide to the Commission proof of receipt of the Tooele County conditional use permit and the BLM Record of Decision as soon as they are received.
5. Consistent with the foregoing provisions, and to the extent it deems such action prudent, the Company may commence construction of those portions of the Mona-Oquirrh Line

DOCKET NO. 09-035-54

- 19 -

for which it has received all required consents, franchises, and permits of the proper county, city, municipal, or other public authority.

This Report and Order constitutes final agency action on the Company's November 23, 2009, Application. Pursuant to Utah Code §§63G-4-301 and 54-7-15, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§63G-4-401 and 63G-4-403 of the Utah Code and with the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 16th day of June, 2010.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
GH67162