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March 27, 2012

VIA E-MAIL
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Mr. Lamont Jackson
Office of Electricity Delivery and Energy Reliability
OE-20, U.S. Department of Energy
1000 Independence Avenue S.W.
Washington, D.C. 20585

Subject: Department of Energy – Rapid Response Team for Transmission Request for Information
OE Docket No. RRTT-IR-001, 77 Fed. Reg. 11517 (February 27, 2012)

Dear Mr. Jackson:

I. Introduction

Idaho Power Company ("Idaho Power") supports the mission of the Rapid Response Team for Transmission ("RRTT") to improve the transmission siting and permitting process and appreciates the opportunity to respond to the specific questions raised in the above-mentioned U.S. Department of Energy ("DOE") request for information ("RFI") regarding the incongruent development timelines for the siting and permitting of electricity generation and high-voltage transmission lines.

Idaho Power agrees with the general framework surrounding the RFI and recognizes that incongruent development times between transmission and generation facilities exist. However, Idaho Power respectfully disagrees with the premise that a "Catch-22" is avoided when a load-serving entity is developing both the generation and transmission facilities for its own customers. The incongruent development times are still a real issue regardless of the owners/operators of the generation and transmission facilities. Therefore, Idaho Power believes the RRTT should continue to focus on improving the transmission siting and permitting process.

II. Idaho Power Interest in this Request for Information

Idaho Power is an investor-owned electric utility serving nearly 500,000 customers throughout a 24,000 square mile area in southern Idaho and eastern Oregon. Idaho Power owns, operates, and maintains over 4,800 line miles of transmission facilities, 17 hydroelectric projects and distribution facilities required to provide electricity to its residential, business and agricultural customers.

Idaho Power is currently in the process of developing, siting and permitting the Boardman to Hemingway ("B2H") 500 kilovolt ("kV") transmission line. This approximately 300 mile project was initiated in December 2007 and will connect the Hemingway Station southwest of Boise, Idaho, to the Mid-Columbia Market in the greater Boardman, Oregon, area. PacifiCorp and Bonneville Power Administration have recently become Permit Funding Partners on B2H. Idaho Power has

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also partnered with PacifiCorp since May 2007 to develop, site and permit the Gateway West portion of PacifiCorp's Energy Gateway projects crossing southern Wyoming and southern Idaho, terminating at the Hemingway Station. Both of these projects require federal permits, including land use authorizations for rights-of-way across federal lands, and involve multiple federal, state and local authorizing agencies.

III. Response to Questions

1. This RFI will refer to the difference in development times between generation and transmission as "Incongruent Development Times." Please answer the following:

   a. Describe the challenges created both by the timeline for obtaining Regulatory Permits for transmission and by the Incongruent Development Times.

   Regulatory permitting is the foremost barrier to cost-effective and timely transmission development. Currently, the regulatory permitting process requires a significant commitment of financial resources and time, as much as ten years in some cases, to complete. Additionally, there is no guarantee that completion of the regulatory permitting process will result in a permit or that any permit granted will be delivered within a timeframe that will facilitate the timely construction of needed transmission projects. This uncertainty creates a substantial barrier for utilities to undertake and sustain transmission development.

   Timing and cost are not the only challenges in transmission development associated with the inefficient regulatory permitting process. The uncertainty associated with the regulatory permitting process also directly impacts how utilities plan for and develop resources in order to reliably and cost-effectively serve load. Planning, identifying, and developing resources for load service is a dynamic process subject to a number of variables such as changes in load growth, economic conditions, governmental regulation, and the public interest. The regulatory permitting process is another major variable. Consider, for example, the difference in cost and timing between developing generation and transmission resources. At present, a natural gas-fired generation resource can be developed in three to four years. The short development time allows utilities to better manage the variables associated with planning and developing resources for load service. In contrast, currently, it requires the better part of a decade to complete the regulatory permitting process for developing transmission resources. During that time, a utility faces the daunting challenge of managing the uncertainty of the regulatory permitting process as well as the normal variables associated with planning and development. In this circumstance, there is a significant potential for conservative utilities to avoid the risk associated with the regulatory permitting process and transmission development in favor of more readily developed natural gas generation resources. This may result in an inability to develop the most efficient and cost-effective electric supply system.

b. To what extent do the Incongruent Development Times hamper transmission and/or generation infrastructure development?

   Resource options with shorter development timelines, predominantly those with limited or no transmission permitting requirements, will be selected due to the increased certainty. This will result in the development of resources that are in proximity to the load centers. Such an outcome favors only limited types of generation resources which hamper the development of resource diversity, both in type and geographical location.

c. What are the primary risks associated with developing transmission vis-à-vis the timeline for obtaining Regulatory Permits as well as the Incongruent Development Times?

   The primary risks fall into several different categories:

   i. The changes in construction costs, economic conditions, governmental regulation, and public sentiment can make the transmission project obsolete from the perspective of cost, lack of load growth and resource development, new regulatory restrictions, or other impacts.

   ii. The uncertainty of cost recovery associated with transmission development is a risk. This includes the potentially high cost to obtain the permit, the potential investment loss in abandoning a permitting effort, or obtaining a permit after conditions have changed such that the transmission line construction is delayed or has been replaced by a different resource (generation plants close to load that only operate during times of peak electricity use), and inclusion of costs for rate recovery once the project is completed.

   iii. The inability to reliably serve load due to load growth, decommissioning of an existing resource, existing transmission capacity rating reduction or other developments.

   iv. The inability to meet the Federal Energy Regulatory Commission ("FERC") Open Access Transmission Tariff ("OATT") obligations to develop transmission to satisfy a transmission service request or generation interconnection requests in a timely fashion, which could result in a barrier to open access for developers to the transmission system.

d. How is the financing for developing the attendant transmission influenced by its lengthy development time and by the Dissonant Development Times?

Financing for developing transmission projects is influenced in a number of ways. For example, pursuant to FERC regulations, these projects are charged monthly expenses for Allowance for Funds Used During Construction ("AFUDC") which compounds each month. The longer these projects take to complete, the longer the AFUDC charges continue to compound and accumulate on these projects. The lengthy development also adds to the overall risk of the projects. Risk is a factor in borrowing funds in the financial market, and therefore the increased risk of these projects could lead to higher rates for borrowing funds. In addition, partnerships between utilities with similar interests are often essential to move large transmission developments forward. The lengthy regulatory permitting process impacts the willingness of partners to participate because of the uncertainty around identifying a definitive project plan, completion date, and ultimate cost. Barriers to partner participation can greatly impact the financial viability of the projects. Participation by fewer partners might mean concentrated risk that could impact financing costs.

e. How if at all, do development timelines and the Incongruent Development Times affect the decisions made in utilities' integrated resource planning, if applicable?

The cost of any transmission upgrades or new transmission required to deliver energy to load is accounted for in the integrated resource planning process on a resource specific basis. If transmission capacity is available from a potential site, the resource will have a relatively lower cost in the analysis when compared to a resource sited in an area where transmission capacity does not currently exist. Renewable resources tend to be impacted due to the lengthy transmission development timelines since they are sited where the resource provides the most capacity and energy, typically away from load centers. Natural gas resources are planned to be sited near load and gas pipeline supply lines.

Because integrated resource plans have a planning horizon of 20 years, many of the longer-term resources identified are not impacted by the time required to construct transmission. For more near-term resource needs (one to eight years), the incongruent development times of generation resources and transmission have to be considered and may disqualify a specific resource/site from consideration due to estimated times to construct transmission.

f. How do development timelines and the Incongruent Development Times affect the ability of parties to enter into open seasons or power-purchase agreements?

Utilities rely on their transmission and energy supply planning functions to identify needed resources and issue open seasons and enter into power purchase agreements to secure those resources. In other words, open seasons and power purchase agreements are mechanisms to secure resources for reliable and cost-effective load service. As discussed above in 1.a., delays associated with the regulatory permitting process may result in conservative utilities selecting resources that are more easily secured than transmission projects simply to meet load service obligations, regardless of whether or not such development is ultimately the most efficient way to develop load-serving resources. In such circumstances, a utility may decide to avoid issuing open seasons and seek out power purchase agreements as a means to secure appropriate resources.

2. Besides improving the efficiency of permitting and approving transmission, are there any other steps the federal government could take to eliminate the barriers created by the Dissonant Development Times?

   The lead permitting agency should proactively work with the project proponent to develop and implement a robust public involvement strategy at the beginning of the permitting process since public opinion is a major contributing factor. This cooperative, proactive approach should meet both the proponent's public involvement goals, as well as the public involvement requirements of the permitting process. If this is not done properly at the beginning of the permitting process, it can add significant delays and substantially increase the dissonant development times.

3. What strategies can the federal government take to decrease the time that federal agencies require for evaluating regulatory permits for transmission? What other steps can the federal government take to address the challenges created by incongruent development times?

   The lead agency can designate a project manager that has the ability to direct staff and make decisions. The project manager should be authorized to make and implement decisions that are proportional to the size and complexity of the project, the existing resources, and potential effects; not based on personal opinion, the lowest common denominator, or inconsistent application of regulations or policies.

   The lead agency can also dedicate resources to work on the project. Project proponents are paying full cost recovery so budget limitations should not be an issue. Developing and implementing a dedicated team that has decision-making authority to spearhead these transmission projects will go far in decreasing the permitting timeframe for transmission facilities. This will also assist in ensuring that messages and priorities identified at the national level are actually being implemented at the state and regional levels.

   Agencies and individuals must be held accountable for meeting an agreed-upon schedule. One strategy is to actually define appropriate timelines for each task in the agencies' permitting process and require the lead agency to move forward when the timeframe for each task is expired.

4. One way to make the Regulatory Permit process and development times between remote generation and attendant transmission more commensurate, is to decrease the time for permitting transmission by some amount. In determining how much time can be saved,

developing a benchmark may be helpful. What benchmark should be used?

a. Example – power purchase agreements as the benchmark: how far in the future do load serving entities (LSE's) seek to purchase energy or capacity from remote resources? Do LSE's seek PPAs that begin delivering energy/capacity 3 years from the signing of the PPA? 7 years? 10 years? Please explain why PPA's are signed at this time.

   Because resources are acquired through a competitive bidding process, the time required to develop a utility-owned resource generally dictates the schedule of the acquisition process.

   One benchmark that could be easily applied is the time it takes FERC to permit interstate pipelines such as oil or natural gas ("NG") lines. There are many similarities between transmission lines and NG pipelines with regard to the linear nature of both types of projects: public involvement, private property vs. public property interests, cultural and biological areas of avoidance, crossing water ways, wetlands, etc. A recent example is the Ruby Pipeline. An application was filed with FERC on January 27, 2009, for this 680 mile, 42" NG pipeline from Opal, Wyoming, to interconnect near Malin, Oregon. FERC approved the application of this interstate pipeline and certificated the project on April 5, 2010, or in a 15-month timeframe. Application of the critical success factors used to permit NG projects in appropriate timeframes could be included in the permitting process for transmission facilities.

b. Example – development times as the benchmark: How long does it take to design, permit and build different types of remote generation?

   For a simple-cycle combustion turbine, Idaho Power assumes it will take three years to develop the resource from start to finish. A combined-cycle combustion turbine ("CCCT") is assumed to require four years to develop. These estimates include a request for proposal ("RFP") process, review of the RFPs, the time it takes to obtain the regulatory acceptance of the successful RFP, permitting and construction. These estimates only apply if there is existing NG pipeline capacity available. If new pipeline capacity has to be constructed, these estimates could be extended. However, recent newly-constructed pipeline projects indicate new pipeline capacity can be developed on a much shorter time frame than transmission.

   Also, renewable resources such as wind and solar can be developed on a much shorter time frame compared to gas resources, depending on the amount of permitting required.

5. In your experience, how long does it take to design, permit and build transmission?

   Gateway West was initiated in 2007 and five years later the Bureau of Land Management

("BLM") has issued a Draft Environmental Impact Statement ("EIS") that did not contain an agency-preferred route. B2H was initiated in 2008, and because of public descent, a public involvement process was initiated by Idaho Power. Once this was completed, the project was re-initiated in 2010 and the expectation is to have a Draft EIS published in 2013, with a Final EIS and Record of Decision issued in 2014. On shorter, lower voltage projects (230 kV and below) that do not cross BLM Field Office boundaries and the environmental analysis is done via an Environmental Assessment rather than an EIS, it typically takes at least two years to obtain a permit.

6. Assume that Federal, state, Tribal and local governments sought to set a goal for the length of time used for completing the Regulatory Permitting process for transmission projects so that the development times between generation and transmission were more commensurate, what goal should that be? As the length of the project and the number of governments with jurisdictions increase so will the time necessary for permitting and approvals; accordingly, consider providing a goal that could be scalable according to the length of the line.

   Idaho Power understands how additional complexities in multi-state and multi-jurisdictional transmission projects have increased the length of time to permit these projects. However, it has been demonstrated by FERC in the permitting of pipelines that these complexities can be successfully mitigated in a much shorter timeframe than is currently occurring on transmission line projects. Idaho Power does not entirely agree with the premise that the project length or the number of governmental agencies involved should necessarily increase the timeframe it takes to permit transmission projects. The length of time should be directly related to the complexity of the project, the sensitivity of resources encountered and the resulting issues that need to be addressed. Idaho Power believes a three-year permitting timeframe for transmission projects is very feasible and permitting should not exceed four years.

IV. Conclusion

Idaho Power appreciates the opportunity to provide these comments and hopes the RRTT finds them useful in their mission to improve the transmission siting and permitting process. If there are any questions regarding these comments, or additional clarification is requested, please contact me.

Sincerely,

Douglas J. Dockter

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cc: Vern Porter, V.P. Delivery Engineering and Operations (via e-mail)