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January 21, 2020

Commissioner Dick Fosbury
Board of Blaine County Commissioners
206 South 1st Avenue
Suite 300
Hailey, Idaho 83333

Re: Idaho Power Company Wood River-Ketchum
Transmission Line Conditional Use Permit

Dear Commissioner Fosbury and Board of Blaine County Commissioners:

Thank you for your letter regarding Idaho Power's Wood River-Ketchum 138kV transmission line ("Transmission Line") project in Blaine County. Your letter indicates that Blaine County is not able to provide Local Improvement District funding for the full burial of the Transmission Line, and requests Idaho Power's assistance with the underground funding.

I appreciate the timing of your letter because Idaho Power has been focusing on the need to move the Transmission Line project forward as soon as possible. As you know, there is a critical need for the Transmission Line to provide a second power source to north Blaine County and its residents, including the cities of Sun Valley and Ketchum. The north County area is currently served by a single power source – the 138kV Idaho Power transmission line that crosses the rugged, mountainous terrain on the west side of the valley. An extended outage on this line could have a significant impact on Idaho Power's customers in the north County, especially in extreme weather conditions. In addition to this pressing need for service reliability, the Transmission Line would allow Idaho Power to de-energize the existing 138kV transmission line in order to make necessary repairs and upgrades to that line safely and efficiently.

Given the critical need for the Transmission Line, Idaho Power is increasingly concerned with the protracted period we have spent working with Blaine County to move forward with the construction of the Transmission Line. The Idaho Public Utilities Commission (IPUC) issued its Certificate of Public Convenience and Necessity (CPCN) for the Transmission Line on September 15, 2017. The CPCN authorizes and directs Idaho Power to construct the Transmission Line according to the route and configuration set forth in the CPCN and detailed in Idaho Power's CPCN application – underground installation from the Ketchum Substation to Elkhorn Road and overhead construction from Elkhorn Road to the Wood River Substation, primarily along Highway 75 and Buttercup Road (CPCN Project).

After receiving the CPCN, and following joint mediation sessions and several public hearings, the P&Z issued a conditional use permit to Idaho Power for the Transmission Line on January 15, 2019 (CUP). However, the CUP did not approve the CPCN Project as approved by the IPUC. Instead, the CUP identified several Transmission Line undergrounding options south of Elkhorn Road for the Blaine County Board of Commissioners to consider for approval and funding. Later, the Board of Commissioners affirmed the P&Z's CUP grant but adopted the condition that the Transmission Line be buried for the entire route from the Ketchum Substation to the Wood River Substation (All-Underground Project). The Board of Commissioners' decision provided that the Board of Commissioners would review the County's funding alternatives to cover the undergrounding costs for the All-Underground Project. The cost of the All-Underground Project is substantial.

The attached cost summary shows a total cost estimate of \$67,991,516 for the All-Underground Project, and \$35,102,288 for the CPCN Project. The resulting cost difference is \$32,889,229, which is increased to \$38,151,504 to cover the tax obligation related to the undergrounding payment, resulting from changes to tax regulations. The \$38,151,504 figure represents the "underground cost differential" that Blaine County is required to pay to Idaho Power for the additional underground costs of the All-Underground Project. Both estimates are subject to change, but a material decrease in the underground cost differential is unlikely.

Idaho Power requested updates from Blaine County in the summer and fall of 2019 regarding the County's fundraising plans for the All-Underground Project. Idaho Power requested that the County target the November 2019 general election date for any fundraising options requiring County voter approval. However, the County was not able to meet this timeline.

Idaho Power is concerned that despite our best efforts working through the Blaine County CUP process for the past two-and-a-half years following the CPCN grant, Blaine County has still not completed the CUP process authorizing Idaho Power to proceed with the construction of the Transmission Line, and Blaine County has not secured funding, or a pathway for funding, the All-Underground Project.

As noted above, Idaho Power believes that it is imperative to complete its work with Blaine County on the Transmission Line project as soon as possible. Based on your letter we received on January 6, 2020 dated November 6, 2019, it appears that the County is unable to secure the required \$38 million in funding through a Local Improvement District, instead requesting that the County and Idaho Power "present a fair and equitable method for payment of this improvement by the ratepayers."

Idaho Power does not have authority to contribute additional funds from its general customer base to fund additional undergrounding for the All-Underground Project. The CPCN authorizes underground installation of the Transmission Line from the Ketchum Substation to Elkhorn Road only. Accordingly, as previously explained by

Idaho Power in the CUP process, Blaine County is required to provide the full \$38 million of underground funding for the All-Underground Project.

If Blaine County is not able to secure the \$38 million funding for the All-Underground Project in the near-term, it would be helpful for both Idaho Power and the County to acknowledge the lack of funding and discontinue work on the option of an All-Underground Project. Conversely, if the County plans to provide the \$38 million funding, please let Idaho Power know what funding mechanism or source will be used and the timing for supplying the funding to Idaho Power for the All-Underground Project. If Blaine County plans to utilize a levy or other funding source requiring voter approval, in light of the urgency in construction of the line, Idaho Power needs the proposal to be presented on the May 19, 2020 election date, with submittal of the proposal to election authorities 50-60 days prior to the election date as required by law.

Idaho Power respectfully requests that the Board of Commissioners provide a response to this letter by February 4, 2020, so that Idaho Power can continue moving forward with the Transmission Line project. If Blaine County is not able to provide the \$38 million funding for the All-Underground Project, please state as such under the Decision on Appeal in the CUP case. This will allow Idaho Power to discontinue further work on the All-Underground Project.

Idaho Power has worked diligently with the Blaine County P&Z and Board of Commissioners for the past two-and-a-half years, but the company cannot continue to delay the Transmission Line project. The IPUC in granting the CPCN recognizes the urgent reliability and safety need for the Transmission Line and *directed* Idaho Power to construct the CPCN Project. Each season the project is delayed extends the future in-service date for the Transmission Line, prolonging the exposure of the north County and its residents to the ramifications of a major outage on the Existing Transmission Line. We look forward to your response to this letter to determine if the All-Underground Project is viable, and if not, Idaho Power will plan to pursue and proceed with other options to move forward with the Transmission Line project. I appreciate your attention to this urgent matter.

Sincerely,



Darrel Anderson
Chief Executive Officer

Revised estimate August 15, 2019

PUC Approved Project
Overhead Transmission
Wood River Sub to Elkhorn
Rd, Underground to Ketchum
Sub

Common Route			
Wood River 138-kV Line Terminal	\$	996,616	
Elkhorn 138-kV Line Switches	\$	680,701	
Ketchum 138-kV Line Terminals	\$	1,956,069	
Ketchum Underground 138kV (w/engineering)	\$	9,156,175	
IPC Management / Inspection	\$	400,000	
Surveying	\$	200,000	
Common Subtotal	\$	13,389,561	

Route Differences			
WDRI sub to Elkhorn Rd Overhead 138-kV (w/Engineering)	\$	3,969,048	
Communications	\$	1,133,000	
Right-Of-Way / Easements	\$	610,000	
Underground Bore	\$	130,000	
Uncrossing T Line @ Wood River Sub	\$	300,000	
Distribution Underbuild	\$	1,345,517	
Route Differences Subtotal	\$	7,487,565	

Total Unloaded Cost	\$	20,877,126	
Loadings & Other			
Contingency	30%	\$	6,263,138
Overheads*	15%	\$	3,131,569
Expenses to date (w/OH)		\$	2,230,286
AFUDC*	8%	\$	2,500,169

Total PUC Approved Transmission Option: \$ 35,102,288

Cost Differential:	\$32,889,227.53
Cost Differential with tax gross up added:	\$38,151,503.93

Revised estimate August 15, 2019

Blaine County CUP Approved Project
Underground Transmission
Wood River Sub to Ketchum
Sub

Common Route			
Wood River 138-kV Line Terminal	\$	996,616	
Elkhorn 138-kV Line Switches	\$	680,701	
Ketchum 138-kV Line Terminals	\$	1,956,069	
Ketchum Underground 138kV (w/engineering)	\$	9,156,175	
IPC Management / Inspection	\$	400,000	
Surveying	\$	200,000	
Common Subtotal	\$	13,389,561	

Route Differences			
WDRI sub to Elkhorn Rd Underground 138-kV (w/Engineering)	\$	26,706,365	
Communications	\$	313,261	
Right-Of-Way / Easements	\$	1,145,000	
Underground Bore	\$	325,000	
Route Differences Subtotal	\$	28,489,626	

Total Unloaded Cost	\$	41,879,187	
Loadings & Other			
Contingency	30%	\$	12,563,756
Overheads*	15%	\$	6,281,878
Expenses to date (w/OH)		\$	2,230,286
AFUDC*	8%	\$	5,036,409

Total All Underground Transmission Option: \$ 67,991,516

Note: All costs are preliminary and subject to change.
 Costs are based on conceptual design level estimates and may increase or decrease as the design is developed.
 Costs include contingency, overheads, and estimated AFUDC.
 *Overheads and AFUDC (allowance for funds used during construction) are subject to change based on current / future rates.
 *AFUDC charges assume County payment of actual project costs upon completion of project. Different payment timing would impact cost estimates.