

December 22, 2020

Blaine County Board of County Commissioners
Old County Courthouse
206 South 1st Avenue
Hailey, ID 83333

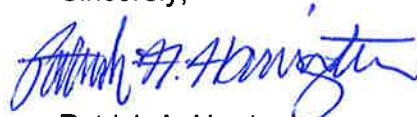
Re: Idaho Power Company Application
Wood River – Ketchum Transmission Line

Dear Board of Commissioners:

Enclosed is Idaho Power Company's application to the Blaine County Board of County Commissioners for conditional use approval of the Owl Rock Road Route and surcharge option for the Idaho Power Wood River – Ketchum Transmission Line. This application is being submitted for the County Board's January 12, 2021 public meeting.

Please feel free to contact me at (208) 388-2878 or pharrington@idahopower.com if you have any questions relating to the attached application.

Sincerely,



Patrick A. Harrington
Corporate Secretary

**IDAHO POWER COMPANY
APPLICATION
TO BLAINE COUNTY BOARD OF COUNTY COMMISSIONERS**

Idaho Power Company is filing this application (“Application”) with the Blaine County Board of County Commissioners (“County Board”) with respect to Idaho Power’s proposed Wood River-Ketchum 138kV transmission line, which would extend from the Wood River Substation located just north of Hailey to the Ketchum Substation located within the Sun Valley city limits (“Transmission Line”). This Application requests that the County Board modify its current “all-underground” condition for the Transmission Line, by adopting a partial underground condition for the Transmission Line based on the Owl Rock Road Route described below.

BACKGROUND

Idaho PUC CPCN. On September 15, 2017 the Idaho Public Utilities Commission (“IPUC”) issued its Order No. 33872 in Case No. IPC-E-16-28, granting Idaho Power a Certificate of Public Convenience and Necessity for the construction of the Transmission Line (“CPCN”). The CPCN approved Idaho Power’s proposed route for the Transmission Line, which would extend overhead approximately 9 miles north from the Wood River Substation along Buttercup Road and Highway 75 to Elkhorn Road, where the Transmission Line would transition underground and continue north approximately 2.1 miles to the Ketchum Substation (“CPCN Route”).

Blaine County Planning and Zoning Commission. On November 17, 2017, Idaho Power filed a conditional use permit application for the Transmission Line with the Blaine County Planning and Zoning Commission (“Commission”). This application sought input and approval from the Commission for the CPCN Route, including (1) possible micro-siting improvements for the overhead Transmission Line and (2) possible additional power line burials (distribution and/or transmission) for the Transmission Line at Blaine County expense. In January 2019, after multiple workshops, mediation sessions, and public meetings, the Commission issued a conditional use permit to Idaho Power approving the Transmission Line (“CUP”) in its Findings of Fact, Conclusions of Law and Decision dated January 15, 2019. In the CUP, the Commission approved a number of different routing and configuration options for the Transmission Line, including burying additional segments of the Transmission Line and also burying part or all of the existing overhead distribution line located along the Transmission Line route (“Distribution Line”). The Commission stated in the CUP that the Board would need to select from the Transmission Line and Distribution Line routing options designated in the CUP, because only the Board has authority to commit Blaine County to expend monies for additional Transmission Line or Distribution Line burials.

Blaine County Board of County Commissioners. The County Board issued its Decision on Appeal for the CUP on June 4, 2019. In its Decision on Appeal, the County Board affirmed the Commission’s grant of the CUP to Idaho Power for the Transmission Line, with the condition that Idaho Power bury the Transmission Line for its entire length from the Wood River Substation to the Ketchum Substation. However, the Decision on Appeal recognized that it could be a challenge to provide funding for this all-underground route, and indicated that the Board might need to consider other options for the Transmission Line if funding is not attainable for the all-underground route:

While imposing such a [all-underground] condition will require difficult discussions on the funding alternatives, the Board believes that these

funding discussions should be fully exhausted before any consideration of an overhead transmission line in this area. Depending upon the results of these funding processes, further consideration and deliberation may be necessary to "continue to work together on these issues, as there may still be opportunities to find areas of common interest and common ground."
[emphasis added]

Since the County Board's June 4, 2019 Record of Decision, Idaho Power has worked with the County Board to determine if Blaine County is able to provide funding for the incremental cost of the all-underground route, which is estimated at approximately \$38 million. Idaho Power believes that based on these efforts, the possible options for securing the \$38 million have been "fully exhausted" by Idaho Power and Blaine County, both in their direct communications in the months following the June 2019 Decision on Appeal, and also in the three public meetings Blaine County held on September 3, 10, and 21, 2020 to address the Transmission Line project. These discussions addressed potential funding options for the Transmission Line, including local improvement district funding and levy financing, but none of the proposals reviewed were considered viable options for raising the \$38 million incremental cost estimate for the all-underground route.

In addition, Idaho Power and the County Board made a concerted effort to "work together" at the County Board's September 2020 public meetings, to determine if there are other viable routes and funding mechanisms to bury portions of the Transmission Line and/or Distribution Line short of the all-underground route. Among other options, the County Board requested that Idaho Power consider surcharge funding options for additional Transmission Line and Distribution Line burials. At the County Board's September 10, 2020 public meeting, Idaho Power provided an "Idaho Power Response to Blaine County Surcharge Proposal" presentation, describing a proposal that would (1) bury the Distribution Line (approximately 8 miles at \$5,700,000 estimated cost), (2) bury an additional segment of the Transmission Line from Elkhorn Road to South Hospital Drive (1.1 miles at \$2,700,000 estimated cost), and (3) fund both power line burials through a 3% Idaho Power bill surcharge within Blaine County over approximately 20 years (charged as a flat fee of \$3.57 per month for residential customers and \$8.43 per month for non-residential customers). This 3%/20-year surcharge option was estimated to provide \$9,100,000 of present value funding for project burials, which would cover the estimated \$8,400,000 construction cost for the proposed Distribution Line and Transmission Line burials.

At the County Board's September 2020 public meetings, several parties asked if Idaho Power could bury the Transmission Line further south to Owl Rock Road under the surcharge proposal. This location is 0.3 miles south of South Hospital Drive, and would increase the estimated Transmission Line burial cost from \$2,700,00 to \$4,100,000, due to the difficult undergrounding conditions between South Hospital Drive and Owl Rock Road. After further analysis, Idaho Power determined that a 3%/20-year bill surcharge is likely to be sufficient to cover this additional requested undergrounding; therefore, Idaho Power has agreed to pursue a surcharge proposal to bury the Transmission Line from Elkhorn Road to Owl Rock Road, for a total estimated project cost of \$9,800,000. All surcharge proposals would require the prior approval of the IPUC.

APPLICATION

Idaho Power is submitting this Application to the County Board to modify the undergrounding condition in the Decision on Appeal from the 'all-underground' condition to a

partial underground condition based on the Owl Rock Road Route. Attached are the following exhibits that describe the Owl Rock Road Route in greater detail:

Exhibit A: Design map showing Owl Rock Road Route location.

Exhibit B: Plan and profile drawings showing the individual Transmission Line pole locations and heights for the Owl Rock Road Route.

Exhibit C: Structure drawings showing the size and configuration of the Transmission Line poles for the Owl Rock Road Route (including comparisons to existing Distribution Line poles).

Exhibit D: Photographs/renditions showing the Transmission Line poles for the Owl Rock Road Route (including comparisons to existing Distribution Line poles).

These exhibits reflecting the Owl Rock Road Route are based upon the exhibits previously provided to the Commission in the Commission's 2017-2019 CUP proceedings for the Transmission Line. Idaho Power submitted and reviewed over 20 route exhibits with the Commission in the CUP proceedings, and the attached exhibits reflect the same route information contained in the prior exhibits.

The Owl Rock Road Route follows two of the Transmission Line routing options recommended by the Commission in the Commission's January 15, 2019 CUP grant. The Commission's "Priority #1" recommendation in its CUP grant is to bury the entire Transmission Line and existing distribution line for the entire route from the Wood River Substation to the Ketchum Substation. The Commission Decision then goes on to address "Priority #2":

If Priority #1 cannot be funded, the Commission's second priority (Priority #2) is to underground the distribution and communication lines in Segments 2, 3 and 4 and micro-site the above ground transmission ... [emphasis added]

The Owl Rock Road Route accomplishes both of these highlighted elements of Priority #2 – burying the existing distribution lines and micro-siting the overhead Transmission Line. The attached Exhibit A design map shows where the existing overhead distribution line will be buried under the Owl Rock Road Route, and this burial includes Segments 2,3 and 4 of the Transmission Line route referenced in the Commission's Priority #2 above. Also, the location of the Transmission Line poles set forth in the attached Exhibit B plan and profile drawings follow the micro-siting locations requested by the Commission in Priority #2.

In addition to meeting the parameters of Priority #2 of the CUP, the Owl Rock Road Route also meets the conditions of Priority #3 of the Commission's CUP grant:

The third undergrounding priority (Priority #3) shall be to underground the distribution and transmission lines starting at Pole #158 north to the Elkhorn Road location where the transmission line is currently designated to go underground.

The attached Exhibit A design map shows where the Transmission Line will transition underground near the intersection of Owl Rock Road and Highway 75 under the Owl Rock Road

Route. The attached Exhibit B plan and profile drawings further show that the underground transition will occur at or before Pole #158 under the Owl Rock Road Route, which tracks the Commission's Priority #3 above.

By meeting the Commission's Priority #2 and Priority #3, the Owl Rock Road Route fully complies with the Commission's CUP recommendations set forth in the Commission's January 15, 2019 Findings of Fact, Conclusions of Law and Decision.

Idaho Power is filing this Application with the County Board because (1) the routing elements of the Owl Rock Road Route have already been approved by the Commission in the CUP as discussed above, (2) the County Board, rather than the Commission, has the authority to approve the funding required for the Owl Rock Road Route (through the proposed surcharge in the present case) and (3) the existing all-underground condition that Idaho Power is seeking to modify was adopted by the County Board.

SURCHARGE ASSESSMENT

As discussed above, the surcharge proposal for the Owl Rock Road Route would involve a 3% surcharge assessment on Blaine County power bills over 20 years. The surcharge would be assessed through a flat monthly billing charge, currently estimated at \$3.57 per month for residential customers and \$8.43 per month for non-residential customers. The surcharge calculations are based on Idaho Power's current weighted average cost of capital of 9.59% per year, plus Idaho Power's estimated surcharge administrative fee of \$35,000 per year. Idaho Power may be able to reduce its estimated administrative fee in the future if actual administrative costs are less than the current \$35,000 per year estimate. All of Idaho Power's surcharge charges are calculated so that the incremental cost of the Owl Rock Road Route burials will be fully funded by the surcharge assessments and not borne by the remainder of Idaho Power's customer base.

There are several factors that could impact the surcharge assessments in the future. First, the surcharge assessment will be based on Idaho Power's *actual cost* of the Owl Rock Road Route project burials (i.e. the incremental cost of the Owl Rock Road Route project compared to the CPCN Route project). Once the Owl Rock Road Route project is completed and the actual cost of the project is known, this cost will be factored into the surcharge assessment calculation. Second, Idaho Power will monitor the actual surcharge revenues received over the surcharge period – surcharge revenues could vary from current estimates based on customer growth and other factors. Idaho Power proposes to adjust the surcharge fee assessments to match actual project costs and actual surcharge revenues by either shortening or lengthening the proposed 20-year surcharge period. In either case, the actual surcharge revenues received by Idaho Power at the end of the surcharge period would match the actual construction and financing costs of the project. After receiving the County Board's approval for the Owl Rock Road Route pursuant to this application, Idaho Power would commence its filing with the IPUC for approval of the surcharge assessment and the Owl Rock Road Route.

RIGHT-OF-WAY MATTERS

As previously discussed by Idaho Power in the CUP proceedings, burying the Transmission Line south to Owl Rock Road would require a private easement behind the small mobile home park located along the west side of Highway 75, north of Owl Rock Road. Idaho Power is discussing this proposed easement with the property owners, which would provide the benefit of removing both the existing overhead distribution lines and the new overhead transmission line from the front of this property along Highway 75. Idaho Power also desires to

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install the Transmission Line within the sheep trail strip west of Highway 75, for the approximately 2.5-mile portion of the Transmission Line that would be located overhead along Highway 75 under the Owl Rock Road Route. If the sheep trail approvals are not available from local property owners (if needed), Idaho Power would locate the overhead Transmission Line within the Highway 75 right-of-way in this stretch, similar to the location of the existing overhead distribution line.

REQUEST

Based on the information presented above, Idaho Power hereby requests that the Blaine County Board of County Commissioners modify the all-underground condition included in their Decision on Appeal, and authorize the Owl Rock Road Route as described in this Application and the exhibits attached hereto. This request is made under Blaine County Code Chapter 25, Conditional Use Permits, as either a rehearing of the County Board’s Decision on Appeal or in the alternative, as a conditional use permit request for the Owl Rock Road Route.

Respectfully Submitted,



Patrick A. Harrington
Corporate Secretary