

December 21, 2011

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Re: Boardman to Hemingway Transmission Project

Comments submitted via: www.bpa.gov

The staff of Northwest Requirements Utilities offers the following comments regarding BPA's "Proposed Participation in Boardman to Hemingway Transmission Project (B2H)." NRU is a trade association of 50 BPA load following customers that rely on the Agency for Network Transmission Service for power deliveries to serve load. The NRU members account for about 25% of BPA's Tier 1 energy sales covering a broad geographic area including 7 states. Our membership includes both utilities currently served via the SE Idaho Exchange, as well as other Municipals and Coops in the greater Southeast Idaho area.

Those members of NRU that receive BPA NT service involving the SE Idaho Exchange have been notified that PacifiCorp has provided 5 year termination notice to BPA regarding this Exchange agreement. A fundamental interest of these members (and hopefully all of public power) is that these customers continue to receive firm long term transmission service from BPA, as they are indeed NT customers. Only if they are guaranteed transmission service can they operate under their new Regional Dialogue wholesale power contracts, and any successor contracts.

NRU has received periodic updates regarding the Boardman to Hemingway Transmission Project, participated in the December 15th public meeting, and has reviewed the Project Permitting and Funding Agreement and related Memorandum of Understanding (MOU). The MOU explores alternatives to establish eastern Idaho load service from Hemingway. We highly commend the work the Agency has done to date, and would particularly like to thank Paul Garrett, Joe Rogers and Ravi Aggarwai, as well as other BPA staff that have assisted in this effort.

NRU strongly supports BPA entering into the Project Funding Agreement and the MOU, including the initial \$7 million needed to fund BPA's portion of the work. The Agency, in conjunction with the Investor Owned Utilities, should move forward aggressively with both the process to obtain governmental authorizations (permitting) for B2H and the analysis of service options from Hemingway to eastern Idaho. Please consider the following.

We agree that BPA should explore a variety of options for transmission service into eastern Idaho. However, these options should focus on the best single utility plan of service for the region, where dependable firm long term transmission service is available to these public preference customers.

The B2H line and the Gateway West line have been selected by the Obama administration for a new federal “fast track” permitting program. BPA jointly pursuing a project in conjunction with Idaho Power and PacifiCorp that has the attention of the administration and makes good economic sense is a good idea. Alternatively, the financial and political impact of BPA trying to unilaterally construct its own transmission corridor into eastern Idaho is at best problematic.

It is premature to endorse the particular facets of the B2H project, or the best option for service into eastern Idaho. That can only be determined once the studies and permitting work have been completed. We agree with BPA that a September 2012 date for the Administrator to make a decision as to whether or not to proceed with the project makes sense. It is imperative to keep moving forward, given that PacifiCorp has provided notice for termination of the SE Idaho Exchange. Because this is a joint venture with two large IOUs that have compelling business interests to proceed, all parties must move forward in tandem.

Our understanding is that BPA has secured the necessary funding in FY 2012 to begin participating in the studies, including commitments from both Power Services and Transmission Services of about \$1 million each. NRU supports the reprogramming of funds as needed in FY 2013 and beyond to cover the Agency’s continuing costs for the permitting work and related studies. We will address the issue of project funding in the context of an overall decision by the Agency to proceed at the conclusion of the studies.

The BPA December 15th materials included an estimate of total project costs for B2H of \$820 million, and a current in-service date in 2016. The cost of the project would be shared by the three sponsoring participants that decide to move forward. In BPA’s Strategic Capital Discussions of September 19, 2011, the Transmission handout included the following statement: *“No current funding for Southeast Idaho load service.”* This statement needs to be considered in the context of BPA showing a 10% reduction in the current overall capital program and a projection that by FY 2016 the Agency will be below the level of borrowing authority needed to assure access to the \$750 million “liquidity facility,” and that by FY 2017 remaining borrowing authority will be exhausted with currently available financial tools. This raises the question of future financing for the B2H project.

We appreciate that the Administrator will hold a January 31st meeting with public power to discuss alternative financing tools and related capital funding needs in advance of the Integrated Program Review (IPR) formally beginning in the spring of 2012. As part of this discussion BPA needs to include consideration of possible financing options for B2H and related service into southeast Idaho. While decisions regarding B2H will not be made until September of 2012, the IPR process establishes the general framework for the size of the BPA capital program in the

years ahead and the types of projects that would be included, based on the financial tools available, including projected remaining borrowing authority.

NRU and the utilities in eastern Idaho are anxious to work with BPA and third parties as needed to forge a plan to provide firm long term transmission service to the area. There is a long history regarding BPA transmission service into eastern Idaho that we will not repeat here, and that the members of ICUA are prepared to address as needed. We will also be looking to the ARTS agreement and Exhibit G of the Regional Dialogue Load Following Contracts to provide guidance regarding cost allocation. In accordance with long standing BPA policy, our expectation is that costs for future transmission service to eastern Idaho and Wyoming will be broadly recovered through rates rather than in whole or in part directly assigned to customers in that geographic area.

In conclusion the December 15th meeting was well attended by Idaho and Wyoming General Managers, staff and elected officials, all of whom travelled a long distance because of the importance of this issue to their customers. We all appreciate that the BPA staff are working hard and in collaboration with other key transmission entities to craft long term durable transmission solutions that will in part address long standing transmission service issues for eastern Idaho. In order to expedite the process, we do not see a need for further meetings with BPA regarding execution of the above referenced documents. However, we would request an opportunity to periodically meet with BPA as the studies/permitting advance to various major milestones, and before the projected September 2012 decision by the Administrator. Perhaps future meetings could be held in Boise.

Respectfully,

A handwritten signature in cursive script that reads "John D. Saven". The signature is written in black ink and is positioned above the typed name.

John D. Saven, CEO

CC: NRU Members
Scott Corwin, Public Power Council
John Prescott, PNGC Power
Will Hart, ICUA