PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Pacific Power |
Rocky Mountain Power
825 NE Multnomah
Portland, Oregon 97232

March 28, 2012

Mr. Lamont Jackson
Office of Electricity Delivery and Energy Reliability (OE-20)
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Submitted electronically via email to: Lamont.Jackson@hq.doe.gov

Re: Department of Energy - Rapid Response Team for Transmission Request for Information, RRTT-IR-01, 77 Fed. Reg. 11517 (Feb. 27, 2012)

Dear Mr. Jackson:

I. INTRODUCTION

PacifiCorp is pleased to provide these revised responses to the specific questions raised in the Department of Energy (DOE)'s above-referenced Request for Information (RFI) regarding Federal efforts to resolve the issue of incongruent development timelines for the siting and permitting of generation and its attendant transmission.

II. PACIFICORP INTEREST IN THIS REQUEST FOR INFORMATION

PacifiCorp is an indirect subsidiary of MidAmerican Energy Holdings Company ("MEHC")[1] and a vertically-integrated electric utility company headquartered in Portland, Oregon. PacifiCorp, an Oregon corporation with its principal place of business in Portland, Oregon, is primarily engaged in the business of providing retail electric service to approximately 1.7 million customers in six western states: Utah, Oregon, Wyoming, Washington, Idaho and California. PacifiCorp is regulated by the following state public utility commissions: the Utah Public Service Commission, the Oregon Public Utility Commission, the Wyoming Public

[1] MEHC is a holding company based in Des Moines, Iowa, that owns subsidiaries principally engaged in energy businesses. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. MEHC controls substantially all of PacifiCorp's voting securities, which include both common and preferred stock.

Service Commission, the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission, and the California Public Utilities Commission.

PacifiCorp owns approximately 16,200 miles of transmission lines ranging from 46 kV to 500 kV and has approximately 11,000 MW (summer rating) of generation capacity from coal, hydro, wind power, natural gas-fired combined cycles and combustion turbines, and geothermal. The entire PacifiCorp system, including both balancing authority areas, is controlled from the System Power Control Center in Portland, Oregon and operated as a single integrated system. PacifiCorp operates the integrated system in accordance with operating criteria established by the Western Electricity Coordinating Council.

In May 2007, PacifiCorp announced plans to construct 2,000 miles of new high-voltage transmission, known as Energy Gateway. In November 2010, the first full transmission segment – Populus to Terminal – was energized to serve customers. Construction began in May 2011 on the second major segment – Mona to Oquirrh. The siting and permitting processes continue for the other segments of the planned expansion, all of which are required to meet current and projected needs of PacifiCorp's customers. The largest segment – Gateway West – was selected as one of the seven pilot projects by the Rapid Response Team for Transmission (RRTT).

Transmission facilities are used to convey electricity from generating resources to population centers and other customer sites. Transmission facilities can be quite lengthy because most generation facilities (including ones that depend on renewable energy, coal and other natural resources) are often located some distance from customers. Furthermore, the transmission facilities form an integrated grid that is highly interdependent and must be carefully

designed, built, maintained and managed at a utility, state and regional level to ensure a reliable, affordable supply of electricity.

Thus, PacifiCorp has a strong interest in seeing Federal agencies act to substantially improve the existing Federal transmission siting and permitting process throughout the country. We believe substantial process improvements, once realized, will deliver significant benefits to the nation's utility customers who depend upon adequate, reliable and reasonably-priced electricity to carry on their daily business, and will support vital economic growth across the country.

III. COMMENTS

A. DOE Should Continue to Focus on Improving Federal Agency Permitting and Not Divert Attention to Coordinating the Timelines for Transmission Projects Tied to New Generation

PacifiCorp appreciates the continuing efforts of DOE and the RRTT in developing streamlined and coordinated approaches for the siting and permitting of transmission projects. PacifiCorp agrees with the general framework of the RFI and supports efforts to shorten the timeline for all transmission development. PacifiCorp is concerned, however, that the RFI appears to be focused too narrowly on the disparity in development timelines for transmission projects linked to remote generation, ignoring scenarios where transmission projects connect other resources that may benefit from similar process improvements. Likewise, PacifiCorp is concerned that the RFI appears to suggest that the RRTT may pursue issues raised in the RFI that could become a distraction from the RRTT's core federal coordination efforts. Accordingly, for the reasons stated by the Edison Electric Institute in their comments on the RFI, which PacifiCorp endorses and incorporates herein, DOE and the RRTT should continue to focus on

improving the section 216(h) coordination of federal agency permitting processes, and not divert attention to coordinating the timelines for transmission and new generation development.

As noted in the RFI, the planning framework for transmission and generation are generally separate and not always contingent upon one another. PacifiCorp would note, however, that there is a significant level of coordination of generation and transmission development through the transmission planning requirements established by the Federal Energy Regulatory Commission (FERC) as well as state Integrated Resource Planning (IRP) proceedings. Every two years PacifiCorp files its system-wide IRP in all of its state jurisdictions (Utah, Oregon, Washington, Idaho, Wyoming, and California), and, in the off year, an update to the IRP is filed.[2] Notably, Oregon's IRP guidelines require utilities to consider transmission facilities as resource options, taking into account their value for purchases and sales, accessing less costly resources in remote areas, and improving reliability. Washington's IRP rules also explicitly require the IRP to include an assessment of transmission system capability and reliability.

PacifiCorp disagrees with the suggestion in the RFI that where a load-serving entity is developing both generation and transmission, there is no "Catch-22." This may not uniformly be the case, as PacifiCorp's experience with Energy Gateway has shown. For example, each PacifiCorp filing of an IRP or annual update since 2010 incorporated deferral of planned on-line dates for its Gateway West project due to permitting delays, pushing out further development of wind resources in Wyoming.

[2] In all states except California, the IRP is reviewed as part of a formal acknowledgment proceeding. The state commissions determine if the IRP meets their guidelines and rules, and is reasonable taking into consideration input from public stakeholders. While state IRP acknowledgment does not guarantee rate recovery, it does help justify future generation and transmission development as part of a multistate regulatory cost recovery process.

PacifiCorp is required to follow strict FERC Standards of Conduct rules and maintains an appropriate "firewall" for prohibited communications between its Market Functions and Transmission Functions. PacifiCorp's Commercial and Trading department is responsible for developing and updating the company's IRP. PacifiCorp's generation function and unaffiliated generation developers both rely on the same publically available information posted on the PacifiCorp OASIS website. Delays in transmission and permitting change may drive where and what generation resources can be developed due to the timing and type of resource requirements.

B. DOE Should Delegate its Federal Lead-Agency Coordinating Authority to FERC, or Alternatively, Revise Its Section 216(h) Rulemaking Consistent with EEI's Recommendations

PacifiCorp continues to support FERC's federal transmission siting proposal made last year under which FERC would be delegated authority from DOE to act as the lead inter-departmental coordinator for all pertinent Federal agencies to ensure that projects are permitted in a synchronized and timely manner. To the extent DOE elects not to pursue administrative delegation of its section 216(h) authority to FERC, PacifiCorp urges DOE to adopt the Federal coordination process recommendations proposed by EEI in its comments on the DOE proposed rulemaking.

IV. RESPONSE TO QUESTIONS

(1) The development timelines for generation and attendant transmission are often not coordinated or run concurrently. Because of the lengthy time to obtain regulatory reviews, permits and approvals (collectively ''Regulatory Permits''), major new transmission lines can take significantly longer to develop than some types of generation to which the transmission would connect. This Request for Information 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.

Response: New transmission can be a challenge to build for a number of reasons. As the grid becomes more regional in nature and transmission lines are expected to do more and carry more power than they have in the past, the challenges of developing needed transmission are exacerbated. These challenges include committing to a multi-year project, raising capital to finance the project, addressing regulatory competitive procurement issues at the state level and Federal level and addressing stakeholder concerns associated with siting. Several of these challenges fall outside of the RRTT efforts; however, all of them create risks and barriers to developing adequate transmission capacity.

Undue delays in obtaining Regulatory Permits serve to postpone the construction of needed transmission and the benefits such projects provide. Prior to seeking Regulatory Permits, transmission projects are evaluated through planning processes that identify the most efficient and cost-effective solution to local and regional needs.[3] The likely development time, which includes the time it takes to receive all Regulatory Permits, is considered when analyzing the need and timing requirements for a transmission project. Actual construction times vary depending on the size and scale of the project, but the construction schedule is typically two to three years of the overall development time of a transmission project. Larger transmission projects such as Gateway West are planned to be constructed in multiple phases, which may allow each phase to be constructed simultaneously, or staggered to better manage market resources. A much larger percentage of the total project development time is spent securing all required Regulatory Permits. To ensure reliable operation of the transmission network, transmission plans must anticipate long development times and identify local and regional needs

[3] It is important to note that these processes protect consumers by ensuring that transmission projects are only carried-out if they serve a demonstrable need in the electricity system.

years ahead of time. As with any projection, the probability of correctly identifying all system needs decreases the further out the needs are identified. Moreover, once the system needs are identified, undue delays in receiving Regulatory Permits impede transmission project development, which may cause local or regional reliability issues.

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

Response: The Incongruent Development Times cause project proponents such as PacifiCorp to question the ability to actually obtain the Regulatory Permits for transmission projects. This has a domino effect that puts on hold, defers or cancels plans to develop additional generation in certain regions that are highly dependent on the need for transmission development, such as Wyoming. This then inhibits certain states' ability to develop and deliver their stated energy policies and objectives. Subsequently, the achievement of national energy policy and objectives is thwarted.

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

Response: For a utility such as PacifiCorp with load serving obligations, delays in building transmission infrastructure can have several adverse consequences, including reducing resource acquisition flexibility and increasing customer rates to the extent that cost-effective resource options to meet incremental load requirements or government-mandated resource acquisition targets (for example, renewable portfolio standards) are foregone because of the delays in the development of the required transmission infrastructure.

The primary risk associated with developing transmission is the financial risk created by permitting delays. These delays also create risk for investors which can make it difficult to finance the project. It is essential to balance customer and investor interests in the construction of sufficient transmission capacity to maintain reliability, minimize congestion and enable the integration of generation sources, including renewable resources. Transmission is a very long lead-time investment. A typical transmission line requires five years or more to site, permit and construct. Large-scale transmission projects anticipate even longer lead-times. In contrast, a thermal generation resource can often be sited, permitted and built in four years or less in the case of wind resources, and distribution plant generally takes less than a year to place into service. However, the competitive procurement requirements for utility scale generation must also be taken into consideration which may add an additional 18 months to the durations listed above. Aligning the resource need, size and timelines in the IRP to the timeline associated with the competitive procurement of a resource and the long lead time associated with the construction of transmission construction is challenging.

As noted above, investing in large-scale transmission projects requires a commitment to a multi-year process that may not line up with the commitment associated with procurement lead time of a new resource. These transmission projects are capital intensive and require large amounts of cash outlays throughout development that cannot be recovered until the transmission project is placed into service and is used and useful. The lag between investment and the company's ability to recover its cost in rates results in negative cash flow. The longer the development time, the longer the lag in cost recovery and therefore the larger the financial risk of the project.

Based on PacifiCorp's experience with Gateway West, the more time the Bureau of Land Management (BLM) takes to resolve route controversy on private lands, the more apt the agency is to adopt alternative routes for inclusion in the EIS. This continues today, four years after Public Scoping. This is unacceptable.

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

Response: Long/uncertain planning horizons compromise developing firm pricing, and therefore, developing viable financing mechanisms for major transmission projects. In addition, financing of the attendant transmission is challenged by the risk of losing transmission customer commitments due to long/uncertain planning horizons.

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

Response: If the timeline for obtaining Regulatory Permits continues to drag out for Gateway West, there will come a point where Energy Gateway may no longer represent the least cost option to meet PacifiCorp's obligation to serve customers and PacifiCorp will be forced to turn to other supply options which may not be as beneficial to customers and may also result in impairments to reliability and or impairments to transmission customers' ability to meet state or federal policies such as renewable resource mandates.

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

Response: When the company selects generation resources through competitive procurement processes, the company provides all participants in the beginning of that process the associated

timelines for new transmission projects that are required to be able to import generation from various locations to serve customer load. If the transmission project timeline for a given location is beyond the timeframe the company has a resource need, then any resource proposals from that location, including both power-purchase agreement proposals or new resources, will be rejected from consideration. If the transmission project timeline for a given location is within the timeframe the company has a resource need, then the company will consider resource proposals at that location, however it must also factor in the risk of the transmission project being completed on time to ensure the resource can be delivered.

The company's ability to acquire new transmission capacity based on an open season for transmission is driven by its ability to justify that acquisition of new transmission is prudent and in the interest of customers. If the company cannot demonstrate a need for new transmission, then it will not participate in an open season for new transmission. If the company's need for new transmission is based on reliability, then it will pursue those transmission projects without need for other justification. If, however, the company's need for new transmission is based on connecting a potential new resource to load, then the company must first reach a decision on a specific resource, which the company cannot reasonably predict in advance. The company pursues major resource additions consistent with its IRP action plan, which requires competitive procurement processes that take 18 months to complete, which ultimately may result in a resource selection at only one of a number of potential locations that may all be dependent on new transmission, followed by a 4 month preapproval process in one of the company's six state jurisdictions. Thus, the company's resource decision is inextricably linked to the timeline for the

associated required new transmission to transport generation from that resource to the company's load.

(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?

Response: The Federal government should ensure proper consideration is given of the potential adverse impacts and consequences new policy directives have on critical infrastructure projects already underway in obtaining Regulatory Permits. PacifiCorp's experience developing Energy Gateway has been that Interior Secretarial Order No. 3310, which created a new "Wild Lands" policy, caused additional work and delays that should have been avoided. In particular, PacifiCorp's Sigurd to Red Butte project experienced an approximate five-month delay due to the Wild Lands policy saga. Renewable generation development on Federal lands can also be a significant barrier to efficient resource implementation. Uncertainty regarding Federal wildlife protection policy on Federal lands can adversely impact the viability of developing a new generation resource and as a result, transmission paths and transmission path sizing. For example, PacifiCorp has seen how uncertainty around the treatment of threatened or endangered species as well as candidate species like Sage Grouse has delayed and even halted certain renewable generation development in Wyoming.

(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?

Response: PacifiCorp urges DOE to work with the other Federal RTTT agencies to provide schedule certainty and assign clear accountability within the Federal land agencies to deliver NEPA milestones on schedule. In particular, PacifiCorp suggests that DOE focus its attention on

establishing specific line officer/state director performance goals to ensure schedule milestones are met. Toward that end, national Project Managers should set/establish reasonable timeframes for inter- and intra-agency review and response throughout the NEPA process. If timeframes are not met, the Project Manager diligently should be expected to follow up and escalate the matter with the appropriate line officer or the state/regional office. PacifiCorp's experience has been that the above structure has worked fairly well where it has been implemented, *e.g.*, on PacifiCorp's Gateway South and Sigurd to Red Butte segments. This practice needs to be made a Federal priority so the benefits can be more broadly realized.

Likewise, BLM should set/establish/reiterate by Instructional Memorandum a set protest resolution period to address protests to a FEIS. This process should not take more than 60 days, as is too common today. PacifiCorp's experience on its Mona – Oquirrh project is instructive. In this case 14 letters protesting the FEIS were submitted to the BLM, 12 letters were dismissed as just comments and two were denied. This process took 180 days, causing a three-month delay in issuing the Record of Decision.

Additionally, the Federal government should focus on identifying for inclusion in the DEIS only the environmentally preferred alternative and the agency preferred alternative on public lands; the Federal government should not look to resolve routing controversies on non-public lands. Finally, the Federal government should consider reliability impacts as part of a proponent's purpose and need.

(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.

Response: LSE's may procure energy or capacity from existing remote resources with existing transmission rights with a start date that could begin immediately or may begin a few years into the future, subject to the LSE's needs, the competitiveness of the remote resource supply and the risks and uncertainties associated with the selection. If, however, the remote resource is a new resource that is dependent upon new transmission, then the start date of the purchase power agreement cannot begin any sooner than the remote resource and the associated transmission can be placed in service. The company's experience to-date has been to acquire resources that are able to be integrated with existing or limited incremental transmission upgrades wherein the transmission timeline has not exceeded the resource construction timeline. However, going forward, in regard to remote renewable resource acquisition such as in wind-rich areas of Wyoming, the company's ability to enter into a PPA for new wind resources is entirely dependent on the timeline of new transmission. The company cannot reasonably consider new PPAs from wind resources in Wyoming until the transmission in service date is firm. Because wind resources can be constructed reasonably quickly, the company typically issues and completes a competitive procurement process for renewable resources such as wind and solar roughly a year in advance of when the resource would be placed in service, thus a new resource in a PPA would likely begin delivering energy within a year of executing the contract. Other resources such as geothermal or combined cycle combustion turbines, would require a longer construction period, and the beginning energy delivery date in a PPA would match the longer construction timeline.

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

Response: The significant policy obstacles to the timely siting and permitting of transmission causes a timing disconnect between generation and transmission planning. A utility-scale wind project can be sited, permitted and built within two-three years in many cases, whereas large transmission projects take seven-ten years to materialize. The lack of coordinated permitting—within states for local projects, between states for interstate projects and between state and Federal permitting agencies—makes transmission project timelines highly unpredictable, and makes transmission alternatives unwieldy in the resource planning process compared to a natural gas plant or a wind plant both of which can be sited in far less time.

In the Western portion of the country and in some other portions as well, determinations regarding generation resource planning, prudence of investment decisions regarding timing and need for transmission and siting of generation and transmission facilities are all subject to state review and approval for rate-regulated utilities such as PacifiCorp. Utilities and their investors are unable to unilaterally make additions to their transmission system, install environmental controls on generation or retire or mothball generation, or mothball; instead, compliance with lengthy state processes and sometimes conflicting state policies is required. It has been and continues to be a challenging evidentiary burden for utilities to demonstrate prudence of major investment plans and decisions. These are all legitimate questions being asked by state regulators as they satisfy their role in determining the prudence, reasonableness and used and useful nature of transmission and generation investment.

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

Response: PacifiCorp has very relevant recent experience relating to three key segments of the Energy Gateway transmission program.

Populus – Terminal 345kV Project

This project consists of 135 miles of new double-circuit 345kV transmission constructed almost entirely on private land thereby significantly reducing the permitting time. The project was planned, permitted and constructed in less than four years. Due to the company's need to bring this project in service to meet growing customer load, the company could not consider any alternatives that crossed significant amounts of Federal land. This generated a significant level of controversy with the public and local governments. This situation might be avoided in the future if the RRTT were able to provide the schedule certainty lacking today.

Mona – Oquirrh 500kV/345kV Project

The total time from submittal of the right of way application to the Record of Decision and right of way grant took four years and 16 days. This included delays due to public controversy and protests on the FEIS. The NEPA process should/could have been completed in three ½ years. The project has been under construction for one year and is projected to be completed on or ahead of schedule by May 2013. The total time from right of way application to in-service is projected to be six years three months.

Sigurd to Red Butte 345kV Project

The total time from submittal of the right of way application to the scheduled Record of Decision and right of way grant is projected to take three years nine months. As noted above, this project experienced an approximate five-month delay due to the Interior Department's "Wild

Lands" policy. This project will be constructed over two years, so total time to in-service is projected to be six years five months.

Based on PacifiCorp's experiences above, it should be reasonable to expect the Lead Federal Agency to complete the NEPA process from right of way application to the Record of Decision and right of way grant within three years and four years at the latest.

(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.

Response: PacifiCorp agrees there are more complexities dealing with long multi-state projects that include more field offices and jurisdictions. As stated in response to Question 5 above, PacifiCorp believes it is still reasonable to expect the Lead Federal Agency to complete the NEPA process from right of way application to the Record of Decision and right of way grant within three years and four years at the latest. PacifiCorp believes that schedule certainty is as critical if not more important that any actual benchmark.

V. CONCLUSION

PacifiCorp appreciates the opportunity to provide these comments in the interest of improving the Federal siting and permitting of transmission. If you have any questions or need additional information, please contact John Cupparo, President PacifiCorp Transmission and MidAmerican Transmission LLC (503-813-7017, john.cupparo@pacificorp.com).