



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

TRANSMISSION SERVICES

November 23, 2011

In reply refer to: TSE

To **regional customers, stakeholders and other interested parties:**

The Bonneville Power Administration is evaluating the merits of entering into a proposed agreement and a Memorandum of Understanding (MOU) with Idaho Power (IPC) and PacifiCorp (PAC). The proposed agreement and MOU would (1) result in BPA funding a portion of the permitting and environmental review costs of IPC's 500-kilovolt Boardman to Hemingway Transmission Project, (2) generally commit the parties to negotiate a construction agreement, which the parties would decide whether to sign following completion of National Environmental Policy Act review, and (3) lay the framework for the parties to further negotiate additional opportunities from Hemingway through southern Idaho to BPA customer loads in southeast Idaho, including the possibility of a partnership on the Gateway West Project.

BPA is considering taking these actions following notice from PAC in June 2011 that PAC would no longer provide a power supply to BPA in southeast Idaho, pursuant to the South Idaho Exchange Agreement. Since receipt of this notice, BPA has been evaluating alternative ways to meet its power supply and transmission service obligations to its preference customers located in that area. Entering into this proposed agreement and MOU would help to preserve a viable transmission alternative for service to southeast Idaho customer loads. BPA would evaluate each of the alternatives, which include building or participating in the building of other transmission lines, wheeling, and power purchase options, before deciding which to pursue.

Pursuant to section 4(d) of the Federal Columbia River Transmission System Act, BPA must seek Congressional approval to participate in or build a line from BPA's existing high voltage network to its loads in southern Idaho, western Wyoming and southern Montana. Such approval could authorize any transmission alternative involving construction or participation in construction that BPA decides to pursue for service to such loads, including but not limited to, the Boardman to Hemingway Transmission Project.

The Boardman to Hemingway Transmission Project is a 500-kV line that would run from a new substation proposed in Morrow County, Ore., to the recently completed Hemingway Substation near Melba, Idaho, southwest of Boise. The line would increase system reliability and overall transfer capability between the BPA and IPC systems and would allow Idaho Power to import hydro, thermal and wind generation from Oregon and Washington.

BPA's proposal to share the funding of permitting and the environmental studies with IPC and PAC is captured in the included draft Boardman to Hemingway Transmission Project Permit Joint Funding Agreement. This proposed agreement would commit BPA to provide an estimated \$7.17 million to support IPC's ongoing permitting activities through several payments, which are

due to be completed by the fall of 2013. Should BPA conclude at a later date that the Boardman to Hemingway Transmission Project continues to be a viable alternative for serving southeast Idaho and the issuance of a Final Record of Decision by the Bureau of Land Management provide sufficient findings to build the project, BPA may contribute an additional estimated \$4.51 million toward IPC's pre-agreement permitting costs. Neither of these payments would obligate the agency to participate in the actual construction of the project.

The included draft MOU outlines the parties' intentions to seek to negotiate over the current fiscal year definitive agreements regarding BPA's desire to acquire assets or capacity from Hemingway to the customer loads in southeast Idaho, as well as PacifiCorp's and Idaho Power's desire for assets or capacity on BPA's system, and outlines at least two alternatives to be discussed in greater detail (in Exhibit A). The MOU is a nonbinding statement of intent to thoroughly explore a larger coordinated solution for all parties to meet respective service needs in good faith. The MOU provides that BPA will seek to decide by September 30, 2012, on a plan to serve its SE Idaho loads. Under the terms of the proposed MOU, BPA is free to exercise its discretion to choose a plan other than one that would result from the MOU.

Both documents are available for a 30-day public comment period at www.bpa.gov/comment. The comment period opens Wednesday, Nov. 23, 2011, and closes Friday, Dec. 23, 2011. You may request a hard copy of the documents by calling BPA's toll-free line at 800-622-4520. Written comments may be submitted online at www.bpa.gov/comment (preferred); mailed to BPA Public Affairs Office – DKE-7, P.O. Box 14428, Portland, OR 97293-4428; or faxed to 503-230-4019.

BPA also will hold a public meeting to discuss this issue in more detail from 9 a.m. to 11 a.m., Thursday, Dec. 15, in its Rates Hearing Room in Portland.

Before making any decision on the proposed agreement or MOU, BPA will consider the written comments received and those voiced at the meeting. As appropriate, BPA staff will address written comments in a decision document expected by early January 2012. If BPA decides to help fund a portion of the costs of the project at this time, it does not mean it also is committed to participate in building the line.

If you have any questions regarding either the proposed agreement or MOU please contact your Transmission Account Executive. Thank you for your interest in this upcoming decision.

Sincerely,

/s/ Mark Gendron

Mark Gendron
Vice President
Requirements Marketing

/s/ Cathy Ehli

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