

**STATE OF NEBRASKA
NEBRASKA POWER REVIEW BOARD**

IN THE MATTER OF THE APPLICATION OF)	PRB-3588
THE NEBRASKA PUBLIC POWER DISTRICT,)	
HEADQUARTERED IN COLUMBUS,)	
NEBRASKA, REQUESTING AUTHORIZATION)	ORDER
TO CONSTRUCT 16 MILES OF 115 KILOVOLT)	
TRANSMISSION LINE IN JEFFERSON COUNTY,)	
NEBRASKA.)	

ON THE 12th day of December, 2008, the above-captioned matter came on for consideration before the Nebraska Power Review Board (the Board). The Board, being fully advised in the premises, and upon reviewing said application and all evidence presented to the Board at said hearing, HEREBY FINDS AS FOLLOWS (references to testimony are designated by a "T" followed by the transcript page, then the lines upon which the testimony appears, while references to exhibits are designated by "Exh."):

FINDINGS OF FACT

1. That on the 25th day of November, 2008, the Nebraska Public Power District (NPPD) filed an application with the Board requesting authorization to construct approximately sixteen (16) miles of 115 kilovolt (kV) transmission line in Jefferson County, Nebraska. (Exh. 1). The application was designated "PRB-3588."
2. The estimated total cost of the project is \$14,806,000. (Exh. 1, page 3). NPPD estimates construction of the transmission line would be completed in October 1, 2009. (T34:15-19; Exh. 1, page 3).

3. That those power suppliers, other than the applicant, that the Board deemed to be potentially affected by or interested in said application were the Norris Public Power District (Norris PPD), the City of Fairbury, Nebraska, and the City of Beatrice, Nebraska. Written notice of the filing of the application and the hearing date was provided to these potentially interested parties and NPPD via certified U.S. mail. (Exh. 2).

4. Notice of the filing of the application and the hearing date was provided to the general public by publication in the Lincoln Journal Star and the Beatrice Daily Sun newspapers on Monday, December 1, 2008. (Exhs. 3 and 4, respectively), and on Wednesday, December 3, 2008 in the Fairbury Journal-News newspaper. (Exh. 5). All three publications are legal newspapers serving the general area where the proposed transmission line will be located.

5. That no Petitions to Intervene, written Protests, or Complaints were filed with the Power Review Board concerning this application. (T4:17-19)

6. That on December 12, 2008, the Board commenced the formal hearing on PRB-3588.

7. That a Consent and Waiver form was offered and accepted into evidence at the hearing before the Board, as provided by law and the Board's Rules of Practice and Procedure, whereby the Norris PPD consented to the approval of PRB-3588 and waived a hearing and any and all notice in the matter. (Exh. 6).

8. That the TransCanada Corporation plans to place a large oil pumping station near the Village of Steele City, Nebraska (Steele City). (T11:13-18; Exh. 3, page 4 or Exh. A). The pumping station will be located on or near the border of sections 20 and 29, Township 1 North, Range 4 East, in Jefferson County, Nebraska. (Exh. 3, page 4 or Exh. A).

The proposed transmission line is needed to provide electric service to the Keystone Pipeline pumping station near Steele City. (T12:13-15; Exh. 1, page 2; Exh. 7, page 3).

9. That the proposed transmission line project will also include construction of a switching station to be known as the “Harbine Switching Station” that will interconnect with NPPD’s existing 115KV transmission line connecting the City of Fairbury and the City of Beatrice. (T12:19-22; Exh. 7, page 3). The Harbine Switching Station will be located in section 17, Township 3 North, Range 4 East, Jefferson County, Nebraska. (Exh. 1, page 4 or Exh. A). The project will also include construction of a second switching station approximately one-half mile east of the location of the proposed pumping station, at or near the intersection of sections 20, 21, 28 and 29, Township 1 North, Range 4 East, Jefferson County, Nebraska. (T12:22-25; Exh. 3, page 4 or Exh. A; Exh. 7, page 3). The proposed transmission line will connect the two switching stations and connect to the pipeline pumping station. (T12:22-25).

10. That the complete pipeline project planned by TransCanada consists of two pipelines that will intersect at the pumping station near Steele City. (T15:8-9). The first is the “Keystone Pipeline” project, and is already under construction. (T12:2-4). TransCanada estimates the Keystone Pipeline will be in service by approximately December 2009. (T12:2-4) The second is known as the “Keystone XL Pipeline” and is in the planning stages. (T12:12-15; T14:17-22; Exh. 7, page 4). TransCanada estimates the Keystone XL Pipeline would be in service sometime in 2011. NPPD’s proposed 115 kV transmission line would provide electric service to the combined load for both pipeline projects. (T12:13-15).

11. That the total load caused by both pipelines would be approximately 40 megawatts. (T11:19-21; T13:23-24). The load for the Keystone Pipeline will be

approximately 15 megawatts, while the load for the Keystone XL Pipeline would be approximately 25 megawatts. (T14:2-6)

12. That construction of the proposed line involved in PRB-3588 would also allow for the possibility of creating an interconnection between NPPD's transmission system and the transmission system of the Westar electric utility in Northern Kansas. NPPD is involved in negotiations to build several miles of line south from where the proposed 115 kV line would end, terminating at the Kansas border, in order to interconnect with Westar's transmission system, if PRB-3588 is approved. Westar will also provide electric service to part of the Keystone pipeline system. (T13:2-15; Exh. 7, page 3).

13. That interconnection with transmission facilities in Kansas could provide additional reliability for NPPD's transmission system, as well as the transmission system in the area surrounding the proposed line. (T13:20-23; T70:10-19). The NPPD line that would serve the Keystone pumping station will be a radial feed from the north. If use of NPPD's proposed line would be lost, electric service to the pumping station would be lost. Interconnection with Kansas transmission facilities would make an alternate route available to supply electricity to the pumping station from the south until NPPD's line could be repaired or replaced. NPPD's proposed line would likewise be able to provide an alternate route of service if transmission facilities in Kansas were rendered unable to supply pumping stations in northern Kansas. (T24:5-22).

14. That the proposed transmission line and related facilities would be located in the Norris PPD's retail service area. The Keystone Pumping Station would be a retail customer of Norris PPD. Norris PPD is a wholesale customer of NPPD. (T11:13-15; T22:18-22). NPPD and Norris PPD initially considered having Norris PPD serve the

Keystone pumping station by extending its 69 kV system to the pumping station. When TransCanada announced plans for the Keystone XL Pipeline that would intersect at the Steele City pumping station, it was determined that a 40 megawatt load could not be served by a 69 kV transmission line, and would have to be served by a 115 kV transmission line. (T14:3-9; T28:14-21). Norris PPD has a contract with TransCanada that requires TransCanada to pay for 100 percent of the cost of the 69 kV transmission line that Norris initially expected it would construct to serve the pumping station. Under the contract, TransCanada could recoup at least a portion of its payments if its energy use was sufficient. (T57:1-11).

15. Although TransCanada plans to build the Keystone XL Pipeline, it is not a certainty. TransCanada is in the business of shipping or delivering oil. TransCanada has long-term commitments from companies that need oil shipped that constitute 50 to 70 percent of the project needs for the Keystone XL Pipeline. (T16:3-8). NPPD determined it is not economically advantageous to construct a 69kV transmission line to serve the 15 megawatt Keystone Pipeline load, then subsequently construct a 115 kV transmission line or upgrade the 69 kV line to 115 kV, if and when the Keystone XL Pipeline is under construction. It is more economical to construct one 115 kV transmission line from the start that could serve both pipelines. (T14:10 to 17:12; T28:1 to 29:22).

16. The new line would be a dedicated transmission line to provide electric service to the Keystone pumping station facility. Because the line will be dedicated to the pumping station, NPPD expects that TransCanada will contribute funds toward the construction costs of the transmission line. TransCanada has indicated its willingness to contribute toward the cost of the proposed line. (T26:5-20; T45:20-25). NPPD and TransCanada have not

determined the amount of contribution that TransCanada would be required to pay. (T19:12 to 20:13; T39:24 to 40:8). NPPD will not begin construction of the proposed transmission line and related facilities involved in PRB-3588 until an agreement has been reached with TransCanada regarding the amount of required financial contribution. (T20:21-22; T48:20 to 49:2). One issue that remains to be resolved as part of the negotiations between NPPD and TransCanada is to address the issue of the possibility that TransCanada could decide not to go forward with the Keystone XL Pipeline, and what financial arrangement should be made accordingly. (T21:2-10). Under normal circumstances, NPPD includes the cost for a transmission line in its transmission rate, so that the cost is shared by all customers. In the present case, the fact that the line is dedicated to providing service to the Keystone pumping station presents a unique situation for NPPD. (T25:8-15).

17. That the portion of the project's cost that could be attributed to increasing the size of the proposed line from 69 kV to 115 kV would not constitute a significant financial amount for NPPD. NPPD has an annual transmission revenue requirement of approximately \$60 million dollars. The transmission rate constitutes only about 10 percent of NPPD's wholesale power rate. The cost of the entire project involved in PRB-3588 is \$14 million. Thus, the amount involved in the transmission line and related facilities to serve the pumping station would have very small impact on NPPD's overall wholesale power rate, even if a portion of the costs to construct the line to the pumping station were to become stranded. (T68:5-24).

18. Although the proposed 115 kV transmission line would be dedicated to the purpose of serving the Keystone pumping facility, and there are currently no other loads planned to be served by it, the line would have additional capacity available beyond the 40

megawatts needed by the pumping facility. A 115 kV line could carry approximately 80 to 100 megawatts. (T23:15-25; T36:13-18). The additional capacity could potentially be used for additional loads that might be built in the Norris PPD service area. (T19:16-19).

CONCLUSIONS OF LAW

19. Pursuant to Neb. Rev. Stat. §§ 70-1012, 70-1013, and 70-1014, the Board has jurisdiction to conduct a hearing and either approve or deny an application for authority to construct a transmission facility located in the State of Nebraska, but outside a power supplier's service area. Such approval is required prior to commencement of construction of facilities such as those described in application PRB-3588.

20. The Board has concerns regarding the possibility that if NPPD builds the proposed 115 kV line and related facilities to serve the full 40 megawatt load anticipated at the Steele City pumping station, and TransCanada subsequently does not go forward with its plan to construct the Keystone XL Pipeline, NPPD could be constructing a 115 kV transmission line when a 69 kV line would have been adequate. This could involve unnecessary costs. However, the Board finds sufficient evidence was provided demonstrating that TransCanada will provide a financial contribution toward that portion of the proposed line that can be specifically attributed to the needs of the Steele City pumping station.

21. The Board concludes that the evidence shows the proposed transmission line will serve the public convenience and necessity.

22. The Board concludes that the evidence demonstrates that NPPD can most economically and feasibly supply the electric service resulting from the proposed transmission line.

23. The Board concludes that the evidence demonstrates that the proposed transmission line will not unnecessarily duplicate other facilities or operations. To the contrary, if NPPD or Norris PPD were to build a 69 kV line to serve the needs of the Keystone Pipeline, it may well lead to duplication of facilities if and when the Keystone XL Pipeline were built, since the addition of the Keystone XL Pipeline would require construction of a separate 115 kV line, or the upgrade of the 69 kV line, to the same location. Such action would be contrary to the Board's purpose and the policy of the State of Nebraska, which is to avoid and eliminate the duplication of facilities and resources. Neb. Rev. Stat. § 70-1001.

24. That based on the foregoing findings, NPPD is entitled to an Order approving the construction of the transmission line described in application PRB-3588.

ORDER

That during that part of its December 12, 2008, public meeting held subsequent to the hearing on application PRB-3588, a majority of the members of the Power Review Board (4 yes, 0 no) voted in favor of a motion to approve application PRB-3588.

IT IS THEREFORE ORDERED by the Nebraska Power Review Board that, pursuant to the Board's action taken during its public meeting held December 12, 2008, application PRB-3588 for authorization to construct approximately sixteen (16) miles of 115 kilovolt transmission line in Jefferson County, Nebraska be, and hereby is, APPROVED.

NEBRASKA POWER REVIEW BOARD

BY:



Michael Siedschlag
Chairman

DATED: January 29, 2009.

CERTIFICATE OF SERVICE


I, Timothy J. Texel, Executive Director and General Counsel for the Nebraska Power Review Board, hereby certify that a copy of the foregoing **Order** in PRB-3588 has been served upon the following parties by mailing a copy of the same to the following persons at the addresses listed below, via certified United States mail, first class postage prepaid, on this 30th day of January, 2009.

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