

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 28, 2018

REGULAR CONSENT EFFECTIVE DATE August 29, 2018

DATE: August 16, 2018

TO: Public Utility Commission

FROM: Scott Gibbens *SG*

THROUGH: Jason Eisdorfer *EP for* and John Crider *JB for JC*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 820/Advice No. 18-09)
Request to Implement a Substation Allowance to Schedule 19, Large Power Service.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve the advice filing submitted by Idaho Power Company (Idaho Power or Company) which implements a substation allowance for Schedule 19, and allow it to go into effect on August 29, 2018.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's update to Schedule 19, Large Power Service to include a substation allowance which will match a program in effect in its Idaho service territory.

Applicable Law

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. See ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change

made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Analysis

Background

In this filing, the Company seeks to introduce a substation allowance provision in its Schedule 19 tariff schedule. The purpose of the substation allowance is to offset a portion of a customer's upfront cost responsibility when the customer's request for service results in the requirement to fund new or incremental substation capacity. The Company currently has a substation allowance tariff in effect in its Idaho service territory. The application states that the addition of this allowance to its Schedule 19 Oregon tariff will alleviate confusion and frustration from customers who seek to operate in both jurisdictions.

When new substations capacity is required, the customer would be eligible to receive a \$64,386 per MW of new load rebate on the cost of the facilities. The allowance will normally be distributed over the course of five years, to ensure that the increase in load is commensurate with the rebate amount. In certain situations the Company may distribute the funds in an upfront lump sum payment. The allowance is limited to the cost of the project. The amount of the allowance is derived from the cost to procure and install a 30 megavolt-ampere (MVA) substation transformer, which the Company will update annually in order to maintain an allowance amount that reflects the most current and applicable costs associated with the procurement and installation of substation facilities. This is Idaho Power's most commonly installed transformer. The methodology to utilize a standard benchmark by which the allowance is calculated is modeled after Idaho Power's Rule H line extension allowance. The Rule H rebate amount is based on "standard terminal facilities" cost, and provides financial relief to offset a portion of the cost responsibility when a customer is required to provide a contribution in aid of construction.

The Company proposes to update the substation allowance on an annual basis in order to reflect current costs.

Review

Staff submitted three information requests and utilized the Company's confidential workpapers attached to its application as part of its review. Staff found the workpapers to be correct and use of a "standard" transformer by which to calculate the allowance reasonable. Staff had concerns regarding the protection of other ratepayers from the costs associated with the projects, the circumstances by which an upfront lump-sum payment would occur, and the limits on the size of the allowance. In regard to the first concern, by correlating the size of the allowance to the size of the load increase, the Company is effectively tying the customer's allowance amount to the speed at which it will contribute to the fixed cost recovery. By stretching the payment over five years, the Company recovers costs and ensures stable load as it disperses cash. In response to the second concern, the Company stated that a lump-sum distribution would only occur when the risk of a load not materializing was such that the Company deemed it prudent. Further the Company would require the customer to provide a letter of credit that covers the substation allowance. Finally, the Company stated that its initial request in Idaho was to implement an allowance with a fixed maximum similar to its Rule H policy, however it was ultimately decided to do a per MVA allowance. This is due to the fact that the industrial class has much more diversity in the size and type of facilities required by each customer. A fixed maximum would not provide sufficient flexibility for the needs of the allowance.

Due to the fact that the program will not burden other ratepayers, provides convenience and simplicity for those customers operating in both Idaho and Oregon, and provides a means by which customers can better receive their power supply needs, Staff recommends approval of the tariff. Staff further finds that the proposed rate is just and reasonable.

Conclusion

Based on the review of the facts of the filing, Staff concludes that the proposed allowance outlined in the application and attached tariff sheets is in the public interest and should be approved.

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PROPOSED COMMISSION MOTION:

Approve the proposed tariff revisions to Idaho Power Schedule 19, and allow it to go into effect on August 29, 2018.

Advice No. 18-08/ADV 820.