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July 25, 2018

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

Re: Tariff Advice No. 18-09
Request to Implement a Substation Allowance to Schedule 19, Large Power Service

Attention Filing Center:

Pursuant to Oregon Revised Statute § 757.205, Idaho Power Company (“Idaho Power” or “Company”) hereby submits a proposal to modify its Schedule 19, Large Power Service (“Schedule 19”) to include a substation allowance for customers funding the installation of transformation within a substation necessary to serve the customer’s load.

The following tariff sheet identifies the proposed cost updates and language modifications:

Original Sheet No. 19-6

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. Introducing a Schedule 19 substation allowance in the Company’s Oregon jurisdiction will result in a consistent approach across Idaho Power’s service area,¹ which will alleviate confusion and frustration from customers who seek to operate in both jurisdictions. The introduction of a substation allowance when a customer is required to provide a Contribution in Aid of Construction (“CIAC”) for substation work is also consistent with the Company’s existing line extension practices; when a customer’s request for service requires the installation of terminal facilities pursuant to Rule H, New Service Attachments and Distribution Line Installations or Alterations, that customer receives an upfront allowance to offset a portion of the cost responsibility.

¹ The Idaho Public Utilities Commission previously authorized inclusion of a substation allowance in the Company’s Idaho Schedule 19, Large Power Service. See *In the Matter of the Petition of Glanbia Foods, Inc. for Approval of a Line Extension Allowance Pursuant to Idaho Power Company’s Rule H*, Case No. IPC-E-13-09, Order Nos. 32893 and 32914.

Background

Schedule 19 states that service under the schedule:

[I]s available at points on the Company's interconnected system ... where existing facilities of adequate capacity and desired phase and voltage are available. If additional distribution facilities are required to supply the desired service, those facilities provide under Rule H will be provided under the terms and conditions of that rule. To the extent that additional facilities not provided for under Rule H, including transmission and/or substation facilities, are required to provide the requested service, special arrangements will be made in a separate agreement between the Customer and the Company.

The separate agreement establishes the terms and conditions for the customer to fund the installation of transmission and/or substation facilities that are required to serve the customer's request. The Company's current practice is to require the customer to provide a CIAC for the actual cost of construction; without receiving an allowance to offset the cost of the construction.

Idaho Power's Substation Allowance Methodology and Proposal

In this advice, the Company proposes a new Schedule 19 Substation Allowance of \$64,386 per megawatt ("MW"). The Substation Allowance methodology was developed to be similar to the calculation of a "standard terminal facilities" allowance that exists in both the Company's Idaho and Oregon Rule H tariff schedules. As defined in Rule H, Standard Terminal Facilities "are the overhead Terminal Facilities the Company considers to be most commonly installed for overhead single phase and three phase service,"² and allowances in Rule H are "based on the cost of providing and installing Standard Terminal Facilities for single phase and three phase services."³ The Company's standard terminal facilities approach in Rule H helps mitigate increases to rate base by providing credits to customers requesting new service attachments equal to a basic level of interconnection. Costs incurred to provide service above that basic level are collected from the customer via a CIAC. This approach recognizes that some level of basic interconnection costs are reasonably recovered through base rates over time, while costs incurred beyond that basic level of service should be borne by the customer benefiting from those facilities.

In developing its substation allowance methodology, Idaho Power identified what substation facilities would be akin to the three-phase facilities used to determine the allowance provided in Rule H and determined the cost to procure and install a 30 megavolt-ampere ("MVA") substation transformer, including the metal-clad were representative of the Rule H facilities. A 30 MVA transformer is Idaho Power's most commonly installed size of transformer and represents a reasonable proxy for the "standard terminal facilities" used as the basis for allowances provided to other customer classes pursuant to Rule H.

² P.U.C. ORE. NO. E-27, Rule H, New Service Attachments and Distribution Line Installations or Alterations, Ninth Revised Sheet No. H-2.

³ *Id.*, Ninth Revised Sheet No. H-8.

Idaho Power proposes applying the allowance on a per MW basis to the additional load constructed for the customer. A substation allowance per MW is appropriate because it provides an allowance based on the customer's utilization of the system. Schedule 19 customers have a large variability and diversity in the types of facilities required to serve their loads; a per MW allowance takes the variability into consideration and provides an allowance in an equitable manner based on the customer's load.

The maximum possible allowance provided to Schedule 19 customers will be determined by multiplying the customer's actual increase in load by \$64,386 per MW, but will not exceed the actual cost of the substation facilities funded by the customer. To minimize the financial risks to other customers in the event the customer's load does not materialize, the Substation Allowance refunds will be provided to the customer over a five-year period, with annual payments based on the customer's Basic Load Capacity at the time of refund; however, at the Company's discretion, the Substation Allowance may be provided to the customer in an upfront lump sum.

Workpapers

The Company is providing the confidential workpapers used to calculate the per MW Substation Allowance. Please note that information in the workpapers is commercially sensitive and if disclosed freely could subject Idaho Power or its customers to risk of competitive disadvantage or other business injury. The undersigned attorney, in accordance with OAR 860-001-0070, certifies that the workpapers contain information that is a trade secret, and as such are exempt from public inspection, examination, or copying.

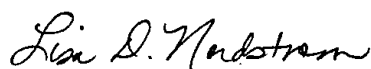
Annual Updates

The Company proposes updating the substation allowance on an annual basis, concurrent with the allowance update for Rule H, to maintain an allowance amount that reflects the most current and applicable costs associated with the procurement and installation of substation facilities. This will more closely align the amount of funds contributed by customers for the substation transformation with the amount of allowance that will be applied as an offset to the customer funded CIAC.

Idaho Power respectfully requests that the proposed updates become effective August 29, 2018.

If you have any questions regarding this tariff advice, please contact Regulatory Analyst Grant Anderson at (208) 388-6498 or ganderson@idahopower.com.

Sincerely,



Lisa D. Nordstrom

SCHEDULE 19
LARGE POWER SERVICE
(Continued)

SPECIAL ARRANGEMENTS FOR SUBSTATION ALLOWANCES

Definitions

Substation Allowance is the portion of the cost of the Substation Facilities funded by the Company.

Substation Facilities include those facilities and related equipment that transform the voltage of energy from a 44 kilovolt or higher rating to a 34.5 kilovolt or lower rating.

Substation Allowance

If a Schedule 19 Customer's request for service requires the installation of new or upgraded transformer capacity in Substation Facilities, the following considerations will be included in the separate agreement between the Customer and the Company:

The Customer will initially pay for the cost of new or upgraded Substation Facilities required because of the customer's request. The Customer will be eligible to receive a Substation Allowance based upon subsequent sustained usage of capacity by the Customer.

- a. Substation Allowance: The maximum possible allowance will be determined by multiplying the customer's actual increase in load by \$64,386 per MW, but will not exceed the actual cost of the Substation Facilities funded by the Customer.
- b. Substation Allowance Refunds: The Substation Allowance will be refunded to the Customer over a five-year period, with annual payments based on the Customer's Basic Load Capacity at the time of refund. The first refund will be paid one year following the first month energy is delivered through the new Substation Facilities, and will equal the per MW Substation Allowance times the new or added load as measured in MW, with the product divided by five.

The Substation Allowance for the subsequent years will equal the Substation Allowance from the previous year if there is no change in load from the previous year. If there is a change in load from the previous year, the refund will be based on the following adjustment, which will be added to or subtracted from the Substation Allowance received in the previous year:

$$\frac{(\text{Change in load from the previous year as measured in MW}) \times (\text{Substation Allowance per MW})}{\text{Number of Substation Allowance Refunds remaining in five-year period}}$$

The Customer's annual refunds will be made in accordance with the Substation Allowance amount stated in the separate construction agreement between the Customer and the Company. The Company may, at its sole discretion, provide the full Substation Allowance as an upfront lump sum to the Customer.