



Oregon

Kate Brown, Governor

Public Utility Commission

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February 8, 2022



BY EMAIL

Idaho Power Company

dockets@idahopower.com

RE: Advice No. 21-14

At the public meeting on February 8, 2022, the Commission adopted Staff's recommendation in this matter docketed as ADV 1362. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 8, 2022**

REGULAR CONSENT EFFECTIVE DATE February 9, 2022

DATE: January 28, 2022

TO: Public Utility Commission

FROM: Steve Storm

THROUGH: Bryan Conway **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1362/Advice No. 21-14)
Requests Increase in the Substation Allowance Rate per MW for
Schedule 19, Large Power Service.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the advice filing submitted by Idaho Power Company (Idaho Power or Company), which increases the substation allowance for Schedule 19, Large Power Service, and allow it to go into effect on February 9, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's update to Schedule 19, Large Power Service, which increases the substation allowance provided to large industrial customers.

Applicable Law

ORS 757.205 requires every public utility to file with the Commission, within a time to be fixed by the Commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within Oregon.

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) 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

Idaho Power's advice filing of December 28, 2021, seeks to update the 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 Idaho Power having to fund and construct new or incremental substation capacity.

When new substation capacity is necessary in order to meet their service requirements, Schedule 19 customers will be eligible to receive a \$57,640 per megawatt (MW) of incremental load allowance towards the cost of the facilities. This is a 17.6 percent increase in the current allowance of \$49,016 per MW.¹ The allowance is normally returned to the customer 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

¹ Established in Docket No. ADV 1223, which is associated with the Company's Advice No. 20-15.

distribute the funds in an upfront lump sum payment. The allowance is to not exceed the actual cost of the substation facilities funded by the customer.

Idaho Power attributes the allowance increase to increases in the cost of the 138kV/13.09kV, 44.8 MVA transformer and of the 4-unit metalclad switchgear of approximately 17 and 25 percent, respectively.² The Company states that other material costs generally increased but were partially offset by a slight decrease in the general overhead rate from 8.97 percent to 8.63 percent.³

Idaho Power's filing asserts that the Company used the same methodology for cost estimation in the issue at hand that it presented in Advice No. 18-09 (Docket No. ADV 820) and Advice No. 20-04 (Docket No. ADV 1104), and that the current filing reflects updated material costs, labor rates, and the stations overhead rate.⁴ The Company additionally asserts this methodology is based on the standard terminal facilities equivalent required to service Schedule 19 customers, as applied on a per MW basis.⁵

Conclusion

Staff reviewed the Company's confidential work papers included with its application. Staff found calculations in the work papers to be correct and the use of "standard" substation equipment for calculating the allowance to be reasonable. No other aspect of the Company's methodology has changed from its prior update.⁶ Staff notes that the change in allowance effective one year ago was slightly negative; i.e., a *decline* in the allowance.⁷ For these reasons, Staff recommends approval of Idaho Power's proposed tariff revision.

PROPOSED COMMISSION MOTION:

Approve the proposed tariff revision to Idaho Power Schedule 19, and allow it to go into effect on February 9, 2022.

² Page 1 of Idaho Power's Tariff Advice No. 21-14, *Update the Substation Allowance contained within Schedule 19*, filed December 28, 2021, in Docket No. ADV 1362. Staff previously examined Idaho Power's methodology.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ See Docket No. ADV 1223, *Staff Report for the February 11, 2021, Public Meeting*, January 28, 2020; see also Docket No. ADV 820, *Staff Report for the August 28, 2018, Public Meeting*, August 27, 2018.

⁷ See Docket No. ADV 1223, *Staff Report for the February 11, 2021, Public Meeting*, January 28, 2020.

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 \$57,640 per MW, but will not exceed the actual cost of the Substation Facilities funded by the Customer. (l)
- 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.