

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 14, 2019

REGULAR _____ CONSENT X EFFECTIVE DATE February 15, 2019

DATE: February 3, 2019

TO: Public Utility Commission

FROM: Kathy Zarate *KZ*

THROUGH: *JB & JE* Jason Eisdorfer and John Crider *JC*

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 903/Advice No. 18-14)
Request to update a Substation Allowance to Schedule 19, Large Power Service

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Idaho Power's (Idaho Power or Company) Advice No. 18-14, on less than statutory notice, which implements a substation allowance for schedule 19, for service rendered on and after February 15, 2019.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Advice No. 18-14, on less than statutory notice, which updates the Schedule 19 substation allowance.

Applicable Rule or Law

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. 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. The Commission can allow tariff changes to go into effect on less than 30 days' notice for good cause shown.

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

The Commission originally approved the substation allowance at its August 28, 2018, Public Meeting. The substation allowance provides customers the opportunity to receive a rebate, spread over five years, associated with the provision of new or upgraded substation facilities to serve the customer's load. In certain situations, the Company may distribute the funds in an upfront lump sum payment.

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 has substation allowance tariff in effect in its Idaho service territory, and this allowance filed in Oregon in August of 2018, provides a similar offering and alleviates confusion and frustration from customers who operate in both Oregon and Idaho jurisdictions. When originally approved last year, the Company proposed to annually update the substation allowance and this is the first update and reflects current cost estimates.

This is the first update filed in Oregon to the Schedule 19 Substation allowance. Idaho Power originally submitted the tariff update on December 28, 2018, with an effective date of February 1, 2019. To accommodate Staff in its review of the tariff, Idaho Power, on January 28, 2019, filed an extension of the effective date to February 15, 2019. Given that, the new effective date is less than 30 days from January 28 extension filing date, Idaho has also requested the tariff be approved with less than statutory notice. The updated Substation Allowance reflects updated material costs, labor rates, and the station overhead rate. The Substation Allowance amount increased by \$8,173, or 12.7

percent, for a total of \$72,559. Idaho Power states in its filing that the primary driver for the increase in the Substation Allowance is attributed to increased material costs; mostly notably, in cost of the 30 MVA transformer and 4-unit metalclad increased 18 percent and 24 percent, respectively. The overall increase in the material costs was offset by a decrease in the general overhead rate from 11.48 percent to 9.81 percent.

Review

In review of the Company's proposed rate, Staff issued four data requests. Staff also reviewed the Company's confidential work-papers as part of its review. Staff found the work-papers to be correct and using the same method for calculating the allowance as was used in the August 2018 filing, while updating the cost of equipment, overheads and related factors. Staff's information requests sought to confirm the price quotes for the more expensive equipment facilities through reviewing actual Idaho Power purchase; however, Idaho Power responded that it has not acquired such equipment in the recent past. Idaho Power did confirm the source of the price quotes. Staff also informally asked Idaho Power whether there have been any allowances to date under this Oregon tariff. Idaho Power stated that no Oregon customers have received an allowance to date – the Schedule 19 Substation Allowance became effective in Oregon on August 29, 2018 with Advice No. 18-09. The Company does not currently have any Oregon customers with a signed Construction Agreement where an Allowance would be applicable since that timeframe.

Conclusion

Based on the review of the facts of the filing, Staff concludes that the proposed allowance outlined in Advice No. 18-14 is in the public interest and should be approved on less than statutory notice.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Advice No. 18-14, on less than statutory notice, for service rendered on and after February 15, 2019.