



Oregon

Tina Kotek, Governor

Public Utility Commission

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February 7, 2023



BY EMAIL
IDAHO POWER COMPANY
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RE: Advice No. 22-09

At the public meeting on February 7, 2023, the Commission adopted Staff's recommendation in this matter docketed as ADV 1478. 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 7, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** February 8, 2023

DATE: January 20, 2023

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1478/Advice No. 22-09)
Schedule 19 Substation Allowance Update.

STAFF RECOMMENDATION:

Staff recommends the Commission Approve Idaho Power Company's (Idaho Power, IPC, or Company) filing of Update the Substation Allowance Amount contained within Schedule 19, Large Power Service effective for service on or after February 8, 2023.

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.

ORS 757.210 states the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable.

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

Idaho Power's advice filing of December 28, 2022, 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.

If this request is approved, when new substation capacity is necessary in order to meet their service requirements, Schedule 19 customers will be eligible to receive a \$79,444 per megawatt (MW) of incremental load allowance towards the cost of the facilities. This is a 38 percent increase in the current allowance of \$57,640 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 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 four-unit metal-clad switchgear of

¹ See Docket No. ADV 1362.

approximately 12 and 88 percent, respectively.² The Company states that some other material costs generally increased but were partially offset by a decrease in the stations overhead rate from 8.63 percent to 6.57 percent.

Idaho Power's filing asserts that the Company used the same methodology for cost estimation as it has in previous updates and that the current filing reflects updated material costs, labor rates, and the stations overhead rate. 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.

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.³ Staff notes that the change in allowance effective one year ago was also a significant increase. It is unclear if and when material prices will decrease. Staff reviewed purchase orders and invoices for the components that are the primary driver of this increase and confirmed the price hike.

Conclusion

Given that the Company has documented the cost basis for the changes, Staff recommends approval of Idaho Power's proposed tariff revision.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Schedule 19 Substation Allowance Update, effective for service rendered on and after February 8, 2023.

IPC ADV 1478 / Advice No. 22-09 Substation Allowance Update

² See Company's initial filing in Docket No. ADV 1478. This was confirmed by Staff review of confidential work papers.

³ See Docket No. ADV 1362, Staff Report for the February 8, 2022, Public Meeting, January 28, 2022.

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 \$79,444 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.