

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 6, 2024**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** February 7, 2024

DATE: January 25, 2024

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1584/Advice No. 23-17)
Schedule 19 Substation Allowance Update.

STAFF RECOMMENDATION:

Staff recommends the Commission Approve Idaho Power Company's (Idaho Power, IPC, or Company) filing to Update the Substation Allowance Amount contained within Schedule 19, Large Power Service effective for service on or after February 7, 2024.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's update to Schedule 19, Large Power Service, which decreases 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 that 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

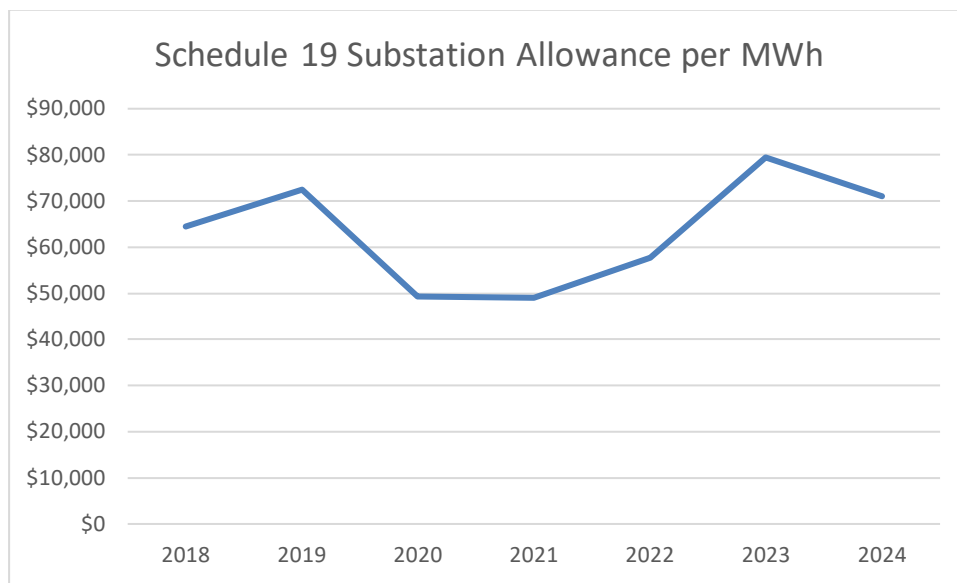
Idaho Power's advice filing on December 29, 2023, seeks to update the substation allowance provision in its Schedule 19 tariff schedule. On January 25, 2024, the Company filed replacement sheets, correcting a typo in the original December 29, 2023, filing. The purpose of the substation allowance is to 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 \$71,006 per megawatt (MW) of incremental load allowance towards the cost of the facilities. This is an 11 percent decrease in the current allowance of \$79,444 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.

¹ See Docket No. ADV 1478.

Idaho Power attributes the allowance decrease to an approximately 42 percent decrease in the cost of the four-unit metal-clad switchgear, offsetting the approximately 33 percent increase in the cost of the 138kV/13.09kV, 44.8 MVA transformer.² The Company also states that another contributing factor to the allowance reduction is that the stations' overhead rate decreased from 6.57 percent to 4.7 percent. Staff reviewed the changes to the allowance over the past seven years to examine if the magnitude of these cost input changes were standard or abnormal. As shown in Figure 1, the change from year to year is consistent with prior annual changes and the approach does attempt to limit subsidization with more up to date data. However, a more in-depth review of the methodology will be performed in the Company's general rate case to ensure it provides a proper balance between rate stability and rate accuracy.

Figure 1



Idaho Power's filing states 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 will review this methodology, as previously noted, in the Company's currently pending rate case, UE 426, as substation and line extension allowances and methodologies have been subjects of debate in recent dockets for Oregon's other electric IOUs.³

² See Company's initial filing in Docket No. ADV 1584.

³ See UE 416 and UE 424/ADV 1534.

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.⁴

Conclusion

After review, Staff finds that the Company's advice filing more accurately represents the costs associated with Schedule 19 customer connections, and results in an allowance that is fair, just, and reasonable. Thus, Staff recommends approval of Idaho Power's proposed tariff revision.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Schedule 19 Substation Allowance Update, effective for service rendered on and after February 7, 2024.

IPC ADV 1584 / Advice No. 23-17 Substation Allowance Update

⁴ See Docket No. ADV 1478, Staff Report for the February 7, 2023, Public Meeting, January 20, 2023.