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March 20, 2020

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

Re: Tariff Advice No. 20-04  
Update the Substation Allowance contained within Schedule 19, Large Power Service

Attention Filing Center:

Pursuant to ORS § 757.205, Idaho Power Company (“Idaho Power” or “Company”) hereby submits its proposed update to the Substation Allowance amount outlined in Schedule 19, Large Power Service (“Schedule 19”). This filing proposes to update the Substation Allowance amount contained within Schedule 19 as approved by the Public Utility Commission of Oregon Advice No. 18-09. The following tariff sheet identifies the proposed modification:

Second Revised Sheet No. 19-6      Cancelling      First Revised Sheet No. 19-6

The cost estimation methodology used in this tariff advice is the same methodology the Company presented in Advice No. 18-09 and is based on a standard terminal facilities equivalent required to service Schedule 19 customers, applied on a per megawatt (“MW”) basis. The proposed Substation Allowance reflects updated material costs, labor rates, and stations overhead rate. The proposed Substation Allowance amount decreased from \$72,559 to \$49,253, or 29 percent which is primarily attributed to updating the transformer cost to reflect what is most commonly installed to serve Schedule 19 customers (44.8 MVA instead of 30 MVA). More details on all primary drivers of the changes are provided below:

### **Material Costs**

Because the Company has most commonly purchased 44.8 megavolt amp (“MVA”) transformers in recent years, the Company has proposed to update the allowance to reflect the transformer cost for a 44.8 MVA transformer rather than continuing to use a budgetary estimate for a 30 MVA transformer as used in prior years’ filings to update the Substation Allowance amount. This updated input ensures the per MW amount of the allowance most closely aligns to the costs the customer would be responsible for funding upfront.

Total material costs decreased by less than 1 percent. The cost of the transformer increased by 6 percent (actual cost of 44.8 MVA transformer as compared to 30 MVA transformer budgetary estimate), primarily offset by a 6 percent reduction to the cost of the 4-unit metalclad. The cost used for both the 44.8 MVA transformer and the 4-unit metalclad was based on actual purchases in the last 12 months. Other material cost changes constitute less than 0.5 percent

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of the total material costs. Total changes in material costs were partially offset by a slight decrease in the general overhead rate from 9.81 percent to 9.57 percent.

### **Labor Costs**


Total labor costs increased by approximately 16 percent. The construction labor rate increased by 2.75 percent, which contributed to an increase in labor costs. Additionally, the Company has included 80 hours for System Protection Engineering. These are labor costs that the Company incurs for substation projects, but upon review of this year's proposed update, it was discovered the costs associated with this activity had been inadvertently omitted in the prior year's calculations. System Protection Engineering includes time for project scoping, fault studies, settings and logic development, panel shop testing, and commission relaying. On average, System Protection Engineering is between 80 and 120 hours for a System Protection Engineer.

The Company is providing the workpapers used to calculate the per MW Substation Allowance and the stations overhead rate in hard copy by U.S. mail as confidential attachments to this tariff advice. Please note that information in the workpapers is commercially sensitive and, if disclosed freely, could subject Idaho Power or its customers to a risk of competitive disadvantage or other business injuries. The undersigned attorney, in accordance with OAR 860-001-0070, certifies that the workpapers contain information that is a trade secret, as described in ORS § 192.345 (2) and (5), and as such are exempt from public inspection, examination, or copying.

The Company respectfully requests the proposed updates are approved and become effective April 21, 2020. Updating the Schedule 19 Substation Allowance in the Company's Oregon jurisdiction would result in a continued consistent approach across Idaho Power's service area, which increases administrative efficiencies and alleviates potential confusion and frustration from customers who seek to operate in both jurisdictions.<sup>1</sup>

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

Sincerely,

  
Lisa D. Nordstrom

LDN:kkt  
Enclosures

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<sup>1</sup> *In the Matter of Idaho Power Company's Application to Update the Substation Allowance Under Schedule 19 – Large Power Service*, Case No. IPC-E-19-40, Order No. 34576 (March 6, 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 \$49,253 per MW, but will not exceed the actual cost of the Substation Facilities funded by the Customer. (R)
- 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.