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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
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December 27, 2019

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-19-40
Annual Compliance Filing to Update the Substation Allowance under
Schedule 19, Large Power Service – Idaho Power Company's Application

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application. Additionally, the Company is providing the workpapers used to calculate the per megawatt Substation Allowance and the stations overhead rate on a CD as Confidential Attachment 1. Please handle the confidential information in accordance with the Protective Agreement to be executed in this matter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt

Enclosures

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Attorney for Idaho Power Company

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY TO)	CASE NO. IPC-E-19-40
UPDATE THE SUBSTATION ALLOWANCE)	
UNDER SCHEDULE 19, LARGE POWER)	APPLICATION
SERVICE)	
)	

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-503 and RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order approving the proposed update to the Substation Allowance amount outlined in Schedule 19, Large Power Service ("Schedule 19") from \$69,397 to \$49,253 effective March 15, 2020.

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. This is the annual compliance filing to update the Substation Allowance amount contained within Schedule 19 as required by Commission Order Nos. 32893¹ and 32914.²

2. Per Staff's request, the Company is filing this update to the Substation Allowance as a case rather than an advice filing as has been done in previous years.

3. In Case No. IPC-E-13-09, the Commission found the determination of a standard terminal facilities equivalent for Schedule 19 customers, applied on a per megawatt ("MW") basis, is a just, reasonable, and equitable determination of allowances for Schedule 19 customers.³ The cost estimation methodology the Company used in this filing is the same methodology the Company presented and approved by this Commission in Case Nos. IPC-E-13-09 and IPC-E-14-01.⁴

4. In Order No. 34277 issued in Case No. IPC-E-19-02, the Commission found that it was, "reasonable and just to base estimated transformer costs on other actual, similar transformer costs rather than a budgetary proxy"⁵ as proposed by the Company. However, the Commission acknowledged the Company's willingness to

¹ *In the Matter of the Petition of Glanbia Foods, Inc. for Approval of a Line Extension Allowance Pursuant to Idaho Power Company's Rule H*, Case No. IPC-E-13-09, Order No. 32893 (September 19, 2013).

² *Id.*, Order No. 32914 (October 29, 2013).

³ *Id.*, Order No. 32893.

⁴ *In the Matter of the Application of Idaho Power Company to Implement a Schedule 19 Substation Allowance and Transmission Vested Interest (Tariff Advice No. 13-08)*, Case No. IPC-E-14-01, Order No. 32982 (February 25, 2014).

⁵ *In the Matter of the Application of Idaho Power Company to Increase the Substation Allowance in Schedule 19, Large Power Service*, Case No. IPC-E-19-02, Order No. 34277 (March 19, 2019).

work with Staff before the next year's substation allowance update to discuss potential changes to the materials used to calculate the allowance.⁶

5. Because the Company has most commonly purchased 44.8 mega volt amp ("MVA") transformers in recent years, both the Company and Staff agreed that it was appropriate to utilize the transformer costs for a 44.8 MVA transformer rather than continuing to use a budgetary estimate for a 30 MVA transformer as used in prior year's compliance filings to update the Substation Allowance amount.

II. PROPOSAL FOR UPDATE

6. As reflected on Confidential Attachment 1, the updated Substation Allowance reflects updated material costs (including a 44.8 MVA transformer), labor rates, and stations overhead rate.

7. The Substation Allowance amount decreased from \$69,397 to \$49,253, or 29 percent. The primary driver for the decrease of the Substation Allowance is attributed to the reduction in the denominator (44.8 MVA instead of 30 MVA). More details on the other primary drivers of the changes are provided below:

a. Material Costs. Total material costs increased by approximately 5 percent. The cost of the 44.8 MVA transformer increased by 20 percent, 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 were based on recent actual purchases. Other material cost changes constitute less than 0.5 percent 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.

⁶ *Id.* at 3.

b. Labor Costs. Total labor costs increased by approximately 16 percent. The construction labor rate increased by 2.75 percent, which contributed to the increase in the 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 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.

8. Workpapers. The Company is providing the workpapers used to calculate the per megawatt Substation Allowance and the stations overhead rate on a CD as a Confidential Attachment 1 to this filing.

9. Proposed Tariffs. The proposed tariff change for Schedule 19 is reflected in Attachment 2 to this Application (in both legislative and clean formats).

III. MODIFIED PROCEDURE

10. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.*

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

11. Communications and service of pleadings with reference to this Application should be sent to the following:

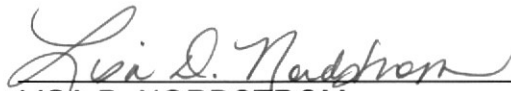
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V. CONCLUSION

12. For the reasons set forth above, Idaho Power respectfully requests that the Commission issue an order authorizing an update to the Substation Allowance under Schedule 19, from \$69,397 to \$49,253 effective March 15, 2020; however, the Company would not oppose a later effective date if the Commission or Commission Staff does not believe the Company's proposed timeline is sufficient to process the issues presented by the Company in this matter.

Respectfully submitted this 27th day of December 2019.



LISA D. NORDSTROM
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-19-40**

IDAHO POWER COMPANY

**CONFIDENTIAL
ATTACHMENT 1**

PROVIDED ON CD

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-19-40

IDAHO POWER COMPANY

ATTACHMENT 2

SCHEDULE 19

CLEAN FORMAT

SCHEDULE 19
LARGE POWER SERVICE
(Continued)

SPECIAL ARRANGEMENTS FOR SUBSTATION ALLOWANCES AND/OR TRANSMISSION VESTED INTEREST (Continued)

Definitions (Continued)

Transmission Vested Interest Portion is that part of the Company's transmission system in which a Transmission Vested Interest is held.

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 one-time 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.

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.

The refunds will occur based on the following adjustment, which will be added to the Substation Allowance received in the previous year. If there is no change in load from the previous year, the Substation Allowance for that year is equal to the Substation Allowance from 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.

Transmission Vested Interest

If a Schedule 19 Customer's request for service requires the installation of new or upgraded capacity in Transmission Facilities, and those Transmission Facilities are serving the Customer by a radial feed, the following considerations will be included in the separate agreement between the Customer and the Company:

SCHEDULE 19
LEGISLATIVE FORMAT

SCHEDULE 19
LARGE POWER SERVICE
(Continued)

SPECIAL ARRANGEMENTS FOR SUBSTATION ALLOWANCES AND/OR TRANSMISSION VESTED INTEREST (Continued)

Definitions (Continued)

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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.

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