

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) **CASE NO. IPC-E-19-40**
COMPANY'S APPLICATION TO UPDATE)
THE SUBSTATION ALLOWANCE UNDER) **ORDER NO. 34576**
SCHEDULE 19—LARGE POWER SERVICE)
 _____)

On December 27, 2019, Idaho Power Company (“Company”) applied for approval to update the substation allowance outlined in Schedule 19—Large Power Service (“Substation Allowance”). The Company requested a March 15, 2020 effective date and that its Application be processed under Modified Procedure.

On January 31, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 34540. Staff filed the only comments and supported the Company’s Application. The Company did not reply.

With this Order, we approve the Company’s Application.

BACKGROUND

Substation facilities transform the voltage of energy from a 44 kilovolt or higher rating to a 34.5 kilovolt or lower rating. If the Company must add or upgrade a substation’s transformer capacity to serve a Schedule 19 customer, then the customer must initially pay for the new or upgraded facilities. After the customer makes the initial payment, the customer is eligible to receive a one-time Substation Allowance through which the Company would fund part of the facilities’ costs based on the customer’s subsequent sustained capacity usage. *See* Schedule 19.

THE APPLICATION

With this Application, the Company seeks to decrease its Substation Allowance—i.e., the part of the substation facilities’ costs funded by the Company—by 29%, from \$69,397 per megawatt (“MW”) to \$49,253 per MW.¹ The proposed decrease results from updated material and labor costs. Material costs increased by about 5%, and labor costs increased by about 16%.

Material costs generally increased because the Company has been installing larger transformers when upgrading substations. For this Substation Allowance update, the Company

¹ 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.

changed the default transformer used to estimate costs from the 30 mega volt amp (“MVA”) transformer it historically has used to the 44.8 MVA transformer it has typically installed in recent years. The 44.8 MVA transformer increased material costs by 20%. This increase was offset somewhat by a 6% reduction to the cost of the 4-unit metalclad and a 9.81% to 9.57% decrease in the general overhead rate.

Increases to labor costs were driven by the nearly 2.75% construction labor rate increase and because the Company added 80 hours of System Protection Engineering labor.²

COMMENTS

Commission Staff reviewed documents submitted by the Company and workpapers received through production responses and recommended Commission approval. Staff’s review focused on: 1) the calculation methodology of the proposed Substation Allowance; 2) changes in direct Substation Allowance costs; and 3) an audit of the Company’s general overhead rate.

Staff explains the reasoning behind the input change was prompted by a meeting between the Company and Staff. Staff initially recommended the Company update its material costs because the 44.8 MVA transformer is the most common transformer installed by the Company. Additionally, Staff recommended the update because the cost of the 44.8 MVA transformer is based on market costs³ and the Substation Allowance is normalized on a per MW basis. Staff confirmed the Company’s material costs calculations were based on the methodology approved in prior Commission orders. Staff noted that although there was no change to the methodology, the major input change, switching to the 44.8 MVA transformer, is the primary reason the per MW Substation Allowance decreased from \$69,397 to \$49,253.

Staff also reviewed the primary drivers of the labor cost increases cited in the Company’s Application. Staff learned that the Company is now including 80 hours of System Protection Engineering not included in previous filings. This is besides the 2.75% increase in the construction labor rate. Staff’s review also notes that the general overhead rate decreased slightly which helped offset some of the cost increases. Staff believes the costs included by the Company in its proposed update are reasonable.

² System Protection Engineering includes time for project scoping, fault studies, setting and logic development, panel shop testing, and commission relaying. On average, System Protection Engineering requires between 80 and 120 hours.

³ The cost of the 30 MVA transformer, which is rarely used by the Company, has been based on estimates or budgetary proxies for past Schedule 19 updates.

COMMISSION DISCUSSION AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503.

Having reviewed the record, the Commission finds it reasonable to approve the Application. In Case No. IPC-E-19-09 we found it “reasonable and just to base estimated transformer costs on other actual similar transformer costs rather than a budgetary proxy.” Order No. 34277. Here, the Company’s proposed modifications to material costs are based on the actual 44.8 MVA transformer, which offers an objective, market-based metric for the transformer costs as approved in Order No. 34277. This is an improvement over the budgetary proxy method. In addition, the Company appropriately included 80 hours of System Protection Engineering in labor costs. The Company’s modifications to material and labor costs for the Substation Allowance more closely reflect the true cost allocation for the Company and Schedule 19 customers and ensures that costs will not shift to other classes of customers.

ORDER

IT IS HEREBY ORDERED that the Company’s Application to modify Schedule 19 is approved as filed, effective as of March 15, 2020.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 6th
day of March 2020.



PAUL KJELLANDER, PRESIDENT

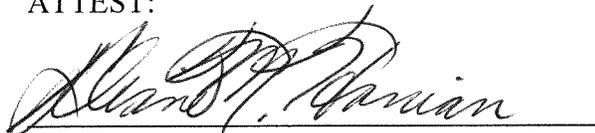


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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