DAYN HARDIE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 9917

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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**
	)	**COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

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 an effective date of March 15, 2020. The Company's Substation Allowance ("Allowance") typically is filed as a tariff advice. However, due to the change in input assumptions related to the default transformer used in the allowance calculation, Staff asked the Company to file its proposal as an application to be processed by Modified Procedure.

Under Schedule 19, a customer requesting service requiring the Company to add or upgrade transformer capacity in Substation Facilities must initially pay the associated cost of the

addition or upgrade, but is eligible for a one-time Allowance based on the customer's subsequent sustained usage of capacity. Commission Order Nos. 32893 and 32914 require the Company to update its Allowance each year.

Currently, the maximum Allowance is determined by multiplying the customer's actual increase in load by $69,397 per megawatt ("MW"), with the Allowance not to exceed the actual cost of the Substation Facilities. With this Application, the Company proposes to decrease the $/MW multiplier by 29% to $49,253 per MW.

The Company primarily attributes the decreased Allowance to changing the default transformer from a 30 Megavolt Ampere ("MVA") transformer to a 44.8 MVA transformer. The use of a larger MVA transformer results in a smaller $/MW multiplier.

STAFF REVIEW

Staff's review focused on three areas to determine the reasonableness of the Company's Allowance proposal: (1) the calculation method; (2) changes to direct Allowance costs; and (3) an audit of the overhead rate. Based on its review, Staff believes the Allowance costs are reasonable, the overhead rate is accurate, and the calculation method complies with prior Commission Orders. After a review of relevant documents and workpapers submitted through Production Responses and with the Application, Staff recommends that the Commission approve the Company's proposed Allowance.

Methodology

Staff confirmed the Company's calculations follow the methodology approved by Commission Order Nos. 32893 and 32914. This methodology for annually updating the standard Allowance amount has been in place since 2013. While the calculation methodology did not change in this case, the input assumption for the standard terminal facilities changed. The Company changed the standard terminal facilities used in its cost estimate from the 30 MVA transformer to the 44.8 MVA transformer, which has been more typically installed in recent years.[1]

[1] In Order No. 34277, the Commission found it was "reasonable and just to base estimated transformer costs on other actual similar transformer costs…."

The change in the standard terminal facilities from 30 MVA to 44.8 MVA is a result of the Company and Staff meeting and agreeing that a 44.8 MVA transformer was appropriate for use in the calculation. Staff ultimately based its recommendation on three factors: (1) the Allowance amount is normalized on a per MW basis[2]; (2) the 44.8 MVA transformer is the size transformer that is typically installed for substation upgrades; and (3) the input cost of a 44.8 MVA transformer is based on actual market cost, while the 30 MVA transformer is rarely purchased and its cost must be based on budgetary quotes which are considered less accurate.

Allowance Costs

Staff believes the costs included in the Company's proposed Allowance are reasonable. Staff reviewed the direct costs that make up the Allowance including labor, materials, and vehicle costs. Staff also reviewed the overhead rate that determine indirect cost in the Allowance. Staff focused its analysis on costs that changed from the previous year.

Direct Costs

Labor costs increased by 16% due to a 2.75% increase in the construction labor rate and including 80 hours for System Protection Engineering.[3] The System Protection Engineering cost was not included in past filings, so Staff requested additional detail. Based on the detail provided by the Company, Staff believes the System Protection Engineering cost is appropriate because approximately 80 hours of engineering work is required whenever a substation is upgraded. Staff believes all other direct costs in the standard Allowance either reflected a reasonable rate of inflation or had a sound basis for the increase.

Overhead Rate

General Overheads are capital costs that cannot be directly assigned to a specific asset or individual project. The Schedule 19 general overhead rate is applied to all vehicle, labor, and direct material costs. The actual general overhead rate for the 12 months ended October 31, 2019

[2] Because the size of the transformer is directly proportional to the capacity needs of the customer, the size of the transformer used to determine the Allowance is not relevant

[3] 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.

was 9.57%, a slight decrease from last year's rate of 9.81%. Staff verified the Company's inputs for the calculation of general overheads for Substations and confirmed the calculation was reasonable. The reduction in the overhead rate partially offsets the increase in the material costs.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Company's proposed updates to Schedule 19—Large Power Service, including a Substation Allowance of $49,253 per MVA with an effective date of March 15, 2020.

Respectfully submitted this 21st day of February 2020.

Dayn Hardie
Deputy Attorney General

Technical Staff: Michael Eldred
Kathy Stockton
Bentley Erdwurm

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21ST DAY OF FEBRUARY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-19-40, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA D NORDSTROM
REGULATORY DOCKETS
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-mail: lnordstrom@idahopower.com
dockets@idahopower.com

CONNIE ASCHENBRENNER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-mail: caschenbrenner@idahopower.com

SECRETARY