

ADAM TRIPLETT  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0318  
IDAHO BAR NO. 10221

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Street Address for Express Mail:  
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A  
BOISE, ID 83714

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO POWER )**  
**COMPANY'S APPLICATION TO UPDATE ) CASE NO. IPC-E-24-02**  
**THE SUBSTATION ALLOWANCE UNDER )**  
**SCHEDULE 19, LARGE POWER SERVICE )**  
**)**  
**) COMMENTS OF THE**  
**) COMMISSION STAFF**  
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**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Adam Triplett, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On December 29, 2023, Idaho Power Company (“Company”) filed Tariff Advice No. 23-03 (“Tariff Advice”) proposing an update to the Substation Allowance (“Allowance”) outlined in Schedule 19, Large Power Service, as required by Idaho Public Utilities Commission Order Nos. 32893 and 32914. The Company requested the update to the allowance become effective February 1, 2024. However, the Commission ordered in Order No. 36065 that the proposed effective date is suspended until March 15, 2024, pursuant to Idaho Code § 61-622, unless the Commission issues an earlier order accepting, rejecting, or modifying the Application.

The updated Allowance reflects updated material costs, labor rates, vehicle costs, and the stations' overhead rate. The proposed Allowance decreased from \$79,444 per Megawatt ("MW") to \$71,006 per MW, a decrease of about 11 percent.

The Company represents that the primary drivers of this decrease are lower costs of the 4-unit metal clad switchgear and a reduction in the stations' overhead rate from 6.57 percent to 4.7 percent.

## **STAFF REVIEW**

Staff's review focused on three areas to determine the reasonableness of the Company's Allowance proposal including: (1) the calculation method; (2) changes to direct allowance costs; and (3) an audit of the overhead rate. Based on its review of the Application and discovery requests, Staff recommends that the Allowance amount proposed by the Company in its Application should be increased to \$71,052 per MW, which is an increase of \$46 per MW over the Company's proposal and a \$8,391 decrease from the currently authorized allowance.

Through discovery, the Company identified several miscalculations of its loaded material costs. However, other than these corrections, Staff believes (1) the methods used to determine and apply the overhead rates were proper; (2) the direct labor, vehicle, and material costs are representative of current costs; and (3) the methods used comply with past Commission orders.

## **Methodology**

Staff confirmed the Company's overall calculations follow the methodology approved by Commission Order Nos. 32893, 32914, 32982, and 34576 from Case Nos. IPC-E-13-09 (Glanbia Foods Petition for Allowance to Rule H), IPC-E-14-01 (Schedule 19 Update), and IPC-E-19-40 (Update to Substation Allowance Under Schedule 19), respectively.

Under the current methodology, the Company determines the per Megawatt ("MW") substation allowance by dividing the estimated fully loaded costs for constructing a 44.8 Megavolt-Ampere ("MVA") transformer substation, which is the rating of the transformer commonly used by the Company for this type of service.<sup>1</sup> The direct costs in the Allowance include: vehicle costs, labor cost, and material cost. A stores overhead rate is applied to the materials cost to obtain a loaded material cost. Then a general overhead rate is applied to the

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<sup>1</sup> For purposes of calculating the Allowance amount, MW and MVA are equivalent.

loaded material cost, direct labor cost, and direct vehicle cost to determine the total loaded cost for constructing the substation. All direct and overhead costs included in the allowance amount are based on average actual costs between November 1, 2022, and October 31, 2023.

### **Direct and Indirect Allowance Costs**

Staff reviewed the Company's Application and discovery requests used to determine the direct costs included in the Company's proposed Allowance amount and believes they had a sound basis and are representative of the Company's current costs. However, when Staff asked for the workpapers showing the calculation of the loaded cost for each of the standard materials included in the Allowance, the Company discovered several errors including (1) missing miscellaneous and ancillary costs that should have been included in some of the line items in the standard materials list, (2) taxes that were improperly applied, and (3) misapplied stores and distribution loading rates. *See* Response to Staff Production Request No. 5. Staff reviewed and agrees with the corrected calculations resulting in a \$46 per MW increase to the Company's proposed Allowance. Staff believes the overhead rates applied to all other direct costs were done correctly.

### **Overhead Rate**

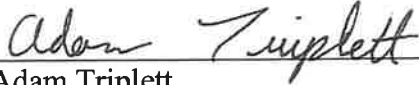
Overhead expenses are capital costs that cannot be directly assigned to a specific asset or individual project. The Company provided the calculation of the Schedule 19 overhead rate for November 2022 through October 2023 in Response to Production Request No. 1. The proposed general overhead rate for the 12 months ending October 31, 2023, is 4.7 percent, which is a decrease from the current authorized rate of 6.57 percent. Staff reviewed the methodology and inputs used to determine the overhead rate and believes that the calculation is proper and accurate.

### **STAFF RECOMMENDATIONS**

Staff recommends the Commission approve Staff's corrected Schedule 19 Substation Allowance of \$71,052 per MW with an effective date of March 15, 2024. Staff further

recommends the Company file an updated Schedule 19 tariff with the Commission's approved Allowance amount as a compliance filing.

Respectfully submitted this 22<sup>nd</sup> day of February 2024.

  
Adam Triplett  
Deputy Attorney General

Technical Staff: Shubhra Deb Paul  
James Chandler  
Mike Louis

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF FEBRUARY 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO IDAHO POWER COMPANY**, IN CASE NO. IPC-E-24-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

CONNIE ASCHENBRENNER  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
E-MAIL: [caschenbrenner@idahopower.com](mailto:caschenbrenner@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

  
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SECRETARY