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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Glanbia Foods, In.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER IDAHO POWER) **CASE NO. IPC-E-13-09**
GLANBIA FOODS, INC. FOR)
APPROVAL OF AN ALLOWANCE) GLANBIA FOODS, INC.'S PETITION
PURSUANT TO IDAHO POWER'S RULE) FOR APPROVAL OF AN
H) ALLOWANCE PURSUANT TO
_____) IDAHO POWER'S RULE H

Pursuant to Rule 053 of the Rules of Procedure of the Idaho Public Utilities Commission (the "Commission"), Glanbia Foods, Inc. ("Glanbia") by and through its attorney of record, Peter Richardson, hereby requests the Commission approve an appropriate allowance for its planned line extension on Idaho Power Company's ("Company") electrical system. In support thereof, Glanbia says as follows:

BACKGROUND

Glanbia Foods, Inc.¹ is an Idaho Corporation with its headquarters located in Twin Falls, Idaho with processing plants in Twin Falls, Gooding, Richfield and Blackfoot, Idaho and operates a further plant in New Mexico as part of a joint venture. Glanbia is the leading producer of American style cheese in the country and its Gooding plant is the largest barrel

¹ Glanbia is a combination of Irish words meaning "pure food." Glanbia Foods, Inc is part of the Irish headquartered and publicly traded company Glanbia plc

cheese operation in the world. The whey powder and lactose products that are produced in Idaho service the needs of customers and other Glanbia divisions throughout the world. Glanbia is one of Gooding County's largest employers and is the leading buyer of milk from local dairies. Glanbia currently consumes approximately nine megawatts of power and energy with a very consistent and high capacity factor; as such it is a very attractive customer for any electric utility. Glanbia is in the final stages of completing a study of a planned expansion that will, in addition to adding employment and tax base to the county, consume an additional seven to ten megawatts of power on a consistent high load factor basis. This expansion will further solidify the Gooding Plant's position in the Glanbia family of companies thereby helping to assure its tenure and stability for the long term.

THE PLANNED EXPANSION

In order to serve the planned additional load Idaho Power will have to upgrade its service to the Glanbia plant. There are several options for doing so with the cost ranging between \$6.3 million and \$11.9 million. The options are more fully explained and documented in the attached (Exhibit A) Large Load Feasibility Study prepared by Idaho Power on August 9, 2012. Glanbia was taken by surprise at the magnitude of the costs and has been actively exploring any avenue by which those costs can be reduced. The very viability of the expansion may be called into question if the costs are not pared back. Thus, Glanbia asked Idaho Power to calculate an Allowance pursuant to Tariff Schedule H.

THE APPLICABILITY OF RULE H

Idaho Power and Glanbia disagree as to the applicability of Rule H to this line extension project. Rule H's preamble provides:

This rule applies to requests for electric service under schedules 1, 3, 4, 5, 7, 9, 19, 24, 45, and 46 that require the installation, alteration, relocation, removal or attachment of

Company-owned distribution facilities. ... This rule does not apply to transmission or substation facilities, or to requests for electric service that are of a speculative nature.

Glanbia is a Schedule 19 customer and will remain a Schedule 19 customer after the proposed new load is added. Section 1 of Rule H is the definition section. There is no definition as to what a transmission or substation facility is. That is, there is no test for how a line extension must be configured in order to be deemed a transmission or distribution line extension.

Section 7 of Rule H provides for specific allowance amounts for Residential Schedules 1, 3, 4 and 5. It also provides for specific allowance amounts for non-residential Schedules 7, 9 and 24. For the Large Power Service Schedule 19, Rule H provides no specific amount for the allowance, deferring those calculations to a "Case-by-Case" determination. The reason Schedule 19 Allowances are determined on a case-by-case basis is best explained by Staff's Comments in the 2008 Rule H docket:

Under the current Rule H, allowances for industrial (Schedule 19) customers are determined on a case-by-case basis due to the wide diversity in both customer usage and needed distribution facilities. Both Idaho Power and Staff propose to continue to determine allowances for industrial customers on a case-by-case basis.²

Glanbia asked Dr. Reading, its expert in utility cost of service, to calculate the Allowance for this project using exactly the method used by Staff when it calculated the generic allowances for the residential and non-residential schedules. The results of his calculations are attached as Exhibit B. As can be seen, Dr. Reading arrives at an allowance for Glanbia in the amount of \$2,318,000

VESTED INTEREST REQUEST

Many of the facilities that will be added, should this expansion prove economical, will be available for use by potential future Idaho Power ratepayers. Although they are currently dedicated solely to Glanbia's load, it is possible they will become useful for other system uses in

² Staff Comments IPC-E-08-22, April 17, 2009 at p. 8.

the future. In addition to those facilities that are solely dedicated to serving the Glanbia load, the existing substation that serves Glanbia will no longer be used for that purpose. In other words Glanbia will be allowing approximately ten megawatts of capacity in that substation to be used to serve other customers. Glanbia should be compensated for the value of that newly freed-up capacity. Glanbia reasonably requested that Idaho Power identify and monitor those facilities with the goal of providing a vested interest refund to Glanbia of the proportional use of those facilities by future third party ratepayers.

COST CONTROL AND TRANSPARENCY

Glanbia has not been able to obtain a commitment from Idaho Power that it will be allowed to confirm that the material and work done on this almost ten million dollar upgrade will be competitively and transparently bid. Nor has Glanbia been assured that it will be permitted to audit the transactions engaged in by Idaho Power for this project. Glanbia asks the Commission to require Idaho Power to (a) competitively bid the material and work on the upgrade (b) provide audited records of the transaction and (c) allow Glanbia to be include in the design, engineering and selection of contractors.

THE IDAHO POWER RESPONSE

Idaho Power has refused to entertain the concept of an allowance for the Glanbia project despite Dr. Reading's assurances that he calculated the Glanbia allowance using the identical methodology used by the Staff in calculating the generic allowances for the other classes. In addition, Idaho Power has refused to entertain the concept of compensating Glanbia for the value of the soon to be freed-up capacity in the existing substation that will no longer be used to serve the Glanbia load. According to Mr. Darrel Anderson, Idaho Power's President and CFO:

Regarding your claim that Idaho Power has not made an effort to identify the "allowances" Glanbia would be "entitled" to for the proposed expansion, Glanbia is once again confusing

language contained in Rule H regarding distribution facilities and costs, with the transmission and substation costs identified in the Facility Study. Again, Rule H specifically states that it does not apply to transmission or substation facilities. Allowances under Rule H are based on the cost of providing and installing Standard Terminal Facilities, which are the overhead Terminal Facilities (transformer, meter, overhead service conductor) most commonly installed for overhead single phase and three phase service.³

As can be seen by Dr. Reading's work in Exhibit B, he used precisely the facilities referenced by Mr. Anderson in arriving at his calculations.

Without conceding the point that Dr. Reading's calculation is true to the Staff's methodology for calculating an allowance for this Schedule 19 customer on a "case-by-case" basis, Rule H does not define what a transmission or substation facility is. The line being upgraded to serve Glanbia is a dead end line serving a single customer. It is unclear what Mr. Anderson was relying on in his letter wherein he states that the upgrade to serve Glanbia is a Transmission System upgrade. FERC/NERC⁴ defines the distinction between transmission systems and distribution systems by function, not size. The definition of a "Distribution Provider" in the *Glossary of Terms Used in NERC Reliability Standards* is provided as:

Provides and operates the "wires" between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the Distribution function at any voltage.⁵

While Mr. Anderson's assertion that the Glanbia upgrade is a Transmission System upgrade, it must be viewed not in layman's terms, but rather pursuant to the definition that is technically and actually used by the electric utility industry. The distinction between Distribution and Transmission is made by the electric utility industry based on the *function* of the "wire" and not the *size* of the wire.

³ Darrel Anderson December 13, 2012, letter to Jeff Williams, President and CEO of Glanbia. Attached as Exhibit C.

⁴ The Federal Energy Regulatory Commission and North American Electric Reliability Corporation

⁵ *Glossary of Terms Used in NERC Reliability Standards* February 11, 2013 at p. 23. Emphasis provided.

In addition, Idaho Power has refused to entertain the possibility of creating a vested interest account on those facilities that will, initially at least, solely dedicated to serving the Glanbia facility.

PRAYER FOR RELIEF

Wherefore, Glanbia Foods, Inc. respectfully asks this Commission to issue its order requiring Idaho Power to provide it with an allowance for its proposed line extension in the amount of \$2,318,000, or other such amount it determines is appropriately calculated pursuant to the Commission's methodology underlying Rule H.

Furthermore, Glanbia Foods, Inc. respectfully asks this Commission to issue its order requiring Idaho Power to provide it with a vested interest in upgraded facilities that are currently solely being used to support the Glanbia facility, as well as the soon to be freed-up capacity in the substation that is currently being used to serve the Glanbia load, and in the event these facilities become useful for service to third parties, requiring those third parties to pay their proportional share of the upgrade costs. Glanbia also requests the Commission require Idaho Power to competitively bid the work and provide Glanbia with an audit of the same.

Glanbia stands ready to provide testimony and or additional legal briefing should the Commission decide that further proceedings are required to decide the issues presented in this docket.

DATED this 5th day of April, 2013.

RICHARDSON & O'LEARY PLLC

By: 
Peter J. Richardson, ISB #3195
Attorneys GLANBIA FOODS, INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 5th day of April, 2013, a true and correct copy of the within and foregoing **PETITION BY GLANBIA FOODS FOR APPROVAL OF AN ALLOWANCE** was served in the manner shown to:

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington (83702)
PO Box 83720
Boise, ID 83720-0074

Hand Delivery
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 Facsimile
 Electronic Mail



Nina Curtis
Administrative Assistant

EXHIBIT A TO
GLANBIA PETITION

IPC-E-13-_____

Facility Study

For

GLANBIA FOODS

In

GOODING, IDAHO

IDAHO POWER COMPANY

November 9th, 2012

1.0 Introduction

Glanbia Foods (Glanbia) has contracted with Idaho Power Company (IPC) to prepare this Facility Study Report (FSR) for the integration of an additional seven MW of power to their facility in Gooding, Idaho. This will bring Glanbia's total load to 19 MW. This FSR documents the upgrades to the IPC electrical system required to meet this load request and is based upon the requirements outlined in a Large Load Feasibility Study (dated August 9, 2012) produced by IPC.

2.0 Required Upgrades to the IPC Electrical System

In order to provide a total of 19 MW (nine MW existing, three MW planned, seven MW requested) to the Glanbia facility, a new substation will need to be constructed at that location. A new ten mile long 138 kV transmission line will need to be constructed to bring power to this new substation. See the attached line route map, substation single line diagram, and substation general location drawing. These new upgrades to the IPC electrical system will be owned, operated and maintained by IPC and as such are available to serve other customers.

3.0 Engineering Overviews

Substations: Design and construction of substation work will be carried out to IPC specification. The substation will consist of a standard grounded, graveled, fenced yard. Equipment will rest on concrete foundations with either aluminum or galvanized steel support structures. Standard IPC substation equipment and apparatus will be used in order to have the ability to backup and quickly replace equipment as well as for maintenance efficiency. Geotechnical and land surveys will be performed as necessary to support design and construction. A three-leg dead-end structure will be installed for the transmission line. Other equipment installed include air break switches 041B and 042B for line switching; 101X and 042X for an emergency mobile transformer connection; and 131X, 131Z, and 131L for transformer protection and switching. The distribution feeder lines and breakers were requested utilizing an open bus arrangement. This arrangement requires a control building to house the control equipment, consisting of relay and communication panels, DC batteries, SCADA equipment, load centers, and cabling.

Lines: Standard IPC design and construction will be utilized. Transmission structures will be wood single pole structures with a single shield wire.

Line Right-of-Way (ROW): In order to avoid the high costs associated with relocating a transmission line, IPC requires private ROW easements for these facilities. IPC will hire a licensed land surveyor to create the legal descriptions and confirm ownership and title for the easement properties. IPC will create the appropriate easement documents for the line route, and will negotiate with and secure these easements from the property owners. The costs and time required to secure these easements can vary widely depending upon the disposition of the property owners.

Communication: A dedicated phone line will be the communication path for SCADA, system protection and control.

Protection: For feeder protection, a standard two-feeder control and relaying panel will be equipped for the Glanbia feeder (041A) and a future feeder. The panel will be installed in the building. The relaying will consist of dual SEL-351A's and a shared SEL-501X. A complete control module will be installed even though half of the equipment will not be used until another feeder is required.

Bus differential protection consists of a standard transformer/bus protection control and relaying panel equipped to protect the 138/34.5kV transformer and the 34.5kV bus. The panel will be installed in the building. The relaying will consist of dual SEL-587 relays with associated lockouts. One relay will wrap the transformer. The other relay will wrap the transformer, both feeders, and the 34.5kV capacitor bank's bus.

A standard shunt capacitor control and relaying panel will be equipped to protect the 138kV capacitor bank. The panel will be installed in the building. The relaying will consist of dual SEL-421 relays. The protection requires current inputs from two current transformers (preferably those from a substation class breaker), a voltage input from a three-phase 138kV instrument transformer, and a voltage input from the capacitor bank.

4.0 Regulations, Permitting, and Other Requirements

City Permitting: A Special Use Permit or Variance is required by the City of Gooding where the proposed transmission line transitions through the city boundaries. IPC will be responsible for securing this permit.

County Permitting: A Conditional Use Permit is required from Gooding County for the substation portion of this project. IPC will be responsible for securing this permit.

5.0 Customer Requirements

Substation Property: Glanbia will provide right-of-way easements for access to the transmission and distribution lines across their property, to and from the IPC substation. Glanbia will donate and transfer ownership of the property necessary for the substation to IPC. IPC will be supplying 34.5 kV power to Glanbia out of the substation. The cost for all upgrades or modifications to IPC owned distribution facilities beyond the point of delivery (metering point) will be added to Glanbia's Distribution Facilities Investment (DFI) and will be subject to a monthly facility charge.

System Requirements: The proposed factory will need to stay within the power factor requirements set by IPC. Glanbia will be responsible for this power factor correction. The distribution of this reactive compensation and single points of failure, that might disconnect large reactive compensation amounts or large load values, concern IPC due to potential problems like nuisance tripping.

Coordination: Glanbia shall coordinate with IPC personnel in all aspects associated with IPC facility upgrades.

6.0 Estimated Costs

The following tables list cost estimates for the upgrades needed to accommodate the proposed project based on the information available today. Note that this estimate does not include the cost of the customer's equipment and facilities or costs associated with compensating for power factor. If the power factor at the substation transformer requires compensation for power factor or harmonics, these facilities will also be installed in the substation at the expense of Glanbia. This is discussed further in the Power Factor Correction Options section below.

Glanbia's payments will not give Glanbia any ownership rights in the new substation and transmission facilities. All ownership of these facilities will remain with IPC.

Glanbia New 138kV Line and Substation Estimated Costs

138/34.5 kV 30 MVA Substation	\$2,407,205
Tax Gross Up	\$746,234
Contingency (20%)	\$630,688
Estimated Costs	\$3,784,127
138 kV Transmission Line	\$3,306,586
Tax Gross Up	\$1,025,042
Contingency (20%)	\$866,326
Estimated Costs	\$5,197,954
Combined Substation and Transmission Tap Estimated Cost	\$8,982,081

These cost estimates include scoping and design labor, materials, and installation labor costs, overheads, contingency and tax-gross up. Please note that the ROW easement costs can vary widely depending upon the property owners. The ROW costs in this estimate are based upon paying 50% of the estimated value of the land. Allowance for Funds Used During Construction (AFUDC) are not included since this project will be funded by Glanbia as it moves forward. These are estimated costs only and **final charges to the customer will be based on the actual construction costs incurred**, including overheads and tax-gross up. Please note that the overhead rate and tax gross-up percentages may vary during the year.

Reliability Options

As a result of the increased demand requested by Glanbia, the 138kV transmission system cannot support their entire load in addition to existing customers' load during certain outages at peak loading times during winter. There are two low-probability outage scenarios for which this can occur:

Outage #1: Bus or breaker short circuit at the King substation (avg repair time = 10 hrs*) during high loading levels. Frequency of outage is less than 1 in 10 years. This is an upper bound for impact to Glanbia because there is a probability that the combined load will be within the still available line capacity, not requiring load to be shed. High loading that would require load shedding if such an outage occurs, exists for about 1.37% of the year. An optimistic lower bound for the occurrence of an outage during this time (assuming independence of the two events) would be 1 in 730 years. We would expect the actual experience to be more like the lower bound than the upper bound.

Outage #2: Increased outage duration due to a sustained short circuit on the 6.9 mile section of the 138kV transmission line between the King substation and the Toponis tap during high loading on the 138kV system. In this scenario, Glanbia would experience an outage until this section of transmission line is sectionalized for repairs (average sectionalizing time = 30-60 mins*). After the sectionalizing occurs, the present Glanbia load level could be restored. However, with the additional load level, restoration of Glanbia will create low voltage at Glanbia and for other customers fed from the 138 kV transmission line during peak loading in winter. Glanbia could be partially restored, up to nine MW in this scenario, until repairs are made (average repair time = 6.9 hrs*) or until other affected customer loading drops to a level for which Glanbia could be completely restored. Frequency of outage is less than 2 in 11.7 years. As in the case for outage 1, this is an upper bound for the rate of events that affect Glanbia. The optimistic lower bound is once per 427 years. Again, we expect the actual experience to be closer to the lower bound.

One of the following options must be chosen in order to ensure reliability to customers is not adversely impacted due to the requested load increase.

<i>Option</i>	<i>Description</i>	<i>Cost**</i>
1	IPC automatically sheds entire Glanbia load at proposed substation. This prevents the shedding of residential customers on other parts of the IPC 138kV transmission system.	\$0
2	Glanbia sets up intelligence to receive signal to trip non-critical load such that no more than 9MW of critical load remains online after receipt of this signal.	Equipment funded, owned, and maintained by Glanbia
3	Install 20 MVAR capacitor bank on the 138kV side of proposed substation. This will enable service to be maintained during Outage #1 and will allow total load restoration after the 138kV system is sectionalized during Outage #2.	\$831,400

*All outage data is derived from electrical system equipment historical outage data. This data may or may not reflect future performance.

**Cost estimates listed include 20% contingency, overheads and tax gross-up

Power Factor Correction Options

Idaho Power has a design standard that requires all distribution substations to operate at unity power factor at peak substation loading. With Glanbia's current power factor of 92% and the unknown power factor of the new equipment, IPC will require power factor correction. With the assumption that Glanbia's peak demand will be 19MW at a 90% power factor after the increase in load, the following are options for correcting the power factor to unity.

One of the following options must be chosen:

<i>Option</i>	<i>Description</i>	<i>Cost**</i>
1	Install a single 9.0 MVAR 138kV capacitor bank on the high side of the transformer at Glanbia.	\$714,400
2	Install 9.0 MVAR 34.5kV capacitor bank in two 4.5MVAR separately switchable sections at the proposed substation. Based on simulations, harmonic de-tuning reactors or other mitigation measures are required to provide IEEE-519 compliant service. This option will provide increased substation transformer capacity for future growth due to reactive power correction on the transformer low side.	\$991,700 (includes the cost of harmonic de-tuning reactors)
3	Glanbia corrects their power factor to unity within the plant.	Equipment funded, owned, and maintained by Glanbia

**Cost estimates listed include 20% contingency, overheads and tax gross-up

7.0 Estimated Timeline

The schedule for IPC facility upgrades depends on the completion of a signed agreement, funding, and authorization to proceed.

The following table outlines the sequence of work as we envision the scoping, design, and construction to take place for the construction of the initial substation and related lines without any of the available options presented:

Glanbia Project Substation Schedule Estimate:

Signed Agreement with IPC for Construction of Substation	11/20/2012
Receive Construction Funding	11/25/2012
Project Scope Completed	12/19/2012
Design Kick Off	12/23/2012
Design Complete	6/23/2013
Pre-Construction Meeting	8/2/2013
Construction Start	8/18/2013
Test & Commission	2/14/2014
Project In-Service	2/24/2014
Final Construction Cost True-Up	4/30/2014

This schedule is based on a signed agreement being completed by November 20, 2012 and receiving funding by November 25, 2012. If these dates slip, the overall schedule will be changed to accommodate additional time and these cost estimates may need to be updated. If any of the available options are chosen, this schedule will need to be modified to take into account the additional work and time required. Schedule dates are estimated milestones and are not guarantees. Weather, material availability, ROW easement acquisition, and permitting restriction could adversely impact the schedule.

8.0 General Assumptions

System: The new IPC 138 kV line that will serve the proposed substation will have adequate capacity to serve the project.

Lines: A new 138 kV line will extend the existing Toponis Tap of the King to Wood River 138 kV line to provide the energy source for the new substation. The length of this extension will be approximately 10 miles. The new 34.5 kV overhead distribution line(s) will come from the substation. The length of these distribution line(s) and financing will depend on the location of the substation and the metering points. It is assumed that ROW easements for the transmission and distribution lines can be obtained in a timeframe that does not impact the schedule. A Special Use Permit or Variance may be required for the portion of transmission line extension that passes through the city limits of Gooding enroute to the substation.

Substations: It is assumed that the new substation will be on property owned by Glanbia and the required substation property will be given to IPC and ownership transferred to IPC at no cost. It is assumed that the needed properties can be obtained in close proximity to the locations identified. A Minor Land Division application must be approved prior to transferring ownership of the property to Idaho Power and a Conditional Use Permit must be approved prior to construction of the substation.

9.0 Outside of IPC Control

There are numerous items outside the control of IPC which could impact the execution of the planned work in this Facility Study. Any of these items could necessitate changes that could impact both cost and schedule.

- Obtaining Permits, Imposed Restrictions/Requirements
- Obtaining Right-of-way
- Material Availability
- Weather

10.0 Conclusions / Next Step

The requested large load interconnection to IPC's system was investigated and the results of this work indicate that the existing IPC system can be upgraded to support the 19 MW required. The next step in the process to connect this large load would be to create a contract with IPC for the execution of the work. Mike Pohanka can get this process started.

Cost Breakdown for Glanbia

November 13, 2012

	<u>Station Estimate</u>	<u>Line Estimate</u>
Design Labor	\$106,902	\$80,399
Const Labor	\$415,670	\$929,602
Purchased Services	\$190,161	\$0
Const Materials	\$1,290,745	\$1,273,213
Const Equipment	\$58,368	\$348,980
Right-of-Way	\$0	\$200,000
Field Charges	\$2,061,846	\$2,832,194
Overheads (16.75%)	\$345,359	\$474,392
Subtotal w/OH	\$2,407,205	\$3,306,586
Tax Gross-up (31%)	\$746,234	\$1,025,042
Subtotal w/OH +TG	\$3,153,439	\$4,331,628
Contingency (20%)	\$630,688	\$866,326
Totals	\$3,784,127	\$5,197,954
Combined	\$8,982,081	

EXHIBIT B TO
GLANBIA PETITION

IPC-E-13-_____

Outline of Glanbia's Calculation of Line Extension Allowance

The Idaho Public Utilities Commission Staff believes line extension rules should provide a new customer an allowance (Company investment) that can be supported through the electric rates paid by that customer. If the line extension costs exceed the allowance, then the new customer would pay an up-front contribution for the difference rather than including the excess costs in electric rates paid by all other customers.

Staff believes that the goal in setting allowance and refund amounts for distribution line extensions should be to eliminate the impact on existing electric rates. More specifically, Staff believes the line extension rules should provide a new customer allowance (Company investment) that can be supported by electric rates paid by that customer over time. If the line extension costs exceed the allowance, then the new customer would pay an up-front contribution for the difference rather than including the excess costs in electric rates paid by all customers. [Commission Staff Comments, IPC-E-08-22, April 17, 2009, p. 3.]

Also included in Staff's Comments in IPC-E-08-22 were calculations of net plant and allowable investment by customer class. Included in Staff's calculation was an allowance for Large Power Schedule 19 customers. [Ibid., Attachment 2.]

LARGE POWER (SCHEDULE 19)			
	Distribution	Terminal Facilities	Total
Net Plant per kW*	\$100	\$11	\$111
Allowable Investment per kW	\$109	\$12	\$122

* Net plant figures are from the cost of service study accepted by the Commission in IPC-E-08-10.

The Commission stated in Order 30853 in the same IPC-E-08-22 case that large power service customer's maximum allowance would be based on a 'Case-by-case' basis. [Idaho Public Commission Order 30853, IPC-E-08-22, p. 10.] The Commission also supports Staff's position that the customer pays for a certain portion of any line extension through their power bills.

1. Allowances. The capital cost of installing new generation and transmission plant has always generally been recovered through rates paid by all customers. Indeed, fees cannot be charged for new plant that cannot be attributed specifically to serving new customers. However, in the case of distribution plant it is possible to associate specific facilities with specific customers who use them. As a result, the costs of new distribution plant have, throughout most of Idaho Power's history, been recovered in two ways - partially through up-front capital contributions from new customers, and partially through electric rates charged to all customers. The portion collected through electric rates represent the investment in new facilities made by Idaho Power. It is often referred to as an installation or construction "allowance." [Ibid., pgs. 9-10.]

Idaho Power has stated they expect Glanbia to remain a Schedule 19P a not 19T customer, while maintaining this is transmission, not a distribution extension, therefore Glanbia is not eligible for any allowance under Rule H. The Commission does use the term 'distribution plant' however follows it with the phrase in the same sentence that ". . . *is possible to associate specific facilities with specific customers who use them*" [Ibid., p. 10., emphasis added] Clearly in this case the line extension and substation facilities can be specifically associated with Glanbia.

The Commission Staff based their calculation of allowances on Idaho Power's most recent general rate case cost of service and rate of return [IPC-E-11-08]. Idaho Power's cost of service allocations to Schedule 19 customers used to find rates for the class, and used in determining the line extension allowance include the following 'distribution' categories taken from the cost of service study:

Distribution

Substations - General

Lines - Primary Demand

Lines - Primary Customer

Line Trans - Primary Demand

Line Trans - Primary Cust

Line Trans - Second Direct

Line Trans - Second Customer

Lines - Secondary Demand

Lines - Secondary Customer

Services

Meters

[IPC-E-08-11, Idaho Power Exhibit No. 32-36, tab
Allocation to Classes]

The above cost of service allocation assignments, in part, make up the elements that are contained in the rates Glanbia will be paying, as well as those used in the calculation of allowances for line extensions for Schedule 19.

Staff, in finding the allowance for Schedule 19 customers used the Company's most recent general rate case rate of return.

2. Rate of Return. The signing parties agreed that it would be just and reasonable to allow the Company to earn a 7.86% rate of return on an authorized Idaho jurisdictional rate base of \$2,355,906,412. Id. at ¶ 6(c). [Order 32426, IPC-E-11-08, December 30, 2011, p.4.]

The following table replicates the rate of return and gross up used by Staff in their calculation of allowance for Schedule 19. The return on common equity is imputed from the other known cost of capital values.

IPC-E-11-08; Order 32426; Overall Weighted Return 7.86%
 Capital Structure & Debt Cost, Steven Keen Testimony
 Return on Equity Calculated; Gross-up 1.642 Noe Testimony

Cost of Capital			
Capital Component	Capital Structure	Component Cost	Weighted Cost
L-T Debt	51.176%	5.728%	2.931%
Preferred Equity	0.000%	0.000%	0.000%
Common Equity	48.824%	10.100%	4.931%
Total	100.000%		7.863%
Grossed-up Rate of Return			
Tax Gross-up Factor			1.642
Weighted ROE*Tax Gross-up			8.097%
L-T Debt			2.931%
Preferred Equity			0.000%
			11.028%

Glanbia has verified Staff calculations with in rounding error and accepts the allowable investment per kW of \$122.

Large Power (Schedule 19)			
# Connected kW	323,964		
Rate of Return	11.299%		
2008 Cost of Service Study	Distribution Plant	Terminal Facilities	Total
Net Plant	32,535,698	3,543,388	36,079,086
Return on Net Plant	3,676,259	400,373	4,076,632
Depreciation Expense	1,200,533	156,281	1,356,814
Total	4,876,792	556,654	5,433,445
Per kW Expenses	Distribution Plant	Terminal Facilities	Total
Net Plant	100	11	111
Return on Net Plant	11	1	13
Depreciation Expense	4	0	4
Total	15	2	17
Allowable Investment	\$109	\$12	\$122

[Commission Staff workpapers, IPC-E-08-11]

Once the line extension and plant upgrades to the plant are completed Gambia expects a load of 16 MW. Therefore at \$122 per kW the line extension allowance will be \$1,952,000 (16000*122).

EXHIBIT C TO
GLANBIA PETITION

IPC-E-13-_____

Darrel T. Anderson
President and Chief Financial Officer



December 13, 2012

Mr. Jeff Williams
President and Chief Executive Officer
Glanbia Foods, Inc
1373 Fillmore Street
Twin Falls, Id. 83301-3380

Re: Glanbia Foods, Inc. Expansion Costs

Dear Mr. Williams:

We received your November 28, 2012 letter addressed to LaMont Keen in which you express Glanbia's concern regarding Idaho Power Company's estimated costs for upgrading our facilities to provide an additional seven megawatts (7 MW, a total of 19 MW) of power at your Glanbia Foods facility in Gooding, Idaho. I write to address the two areas of concern you note. Specifically, Glanbia contends that Idaho Power has failed to account for two discounts to the upgrade costs—what Glanbia characterizes as "System Betterment" and "Allowances."

With regard to "System Betterment," or more accurately what the Idaho Public Utilities Commission (IPUC) refers to as "Company Betterment," Glanbia's concern may stem from a misunderstanding or misinformation as to what is considered "Company Betterment" and when it is applicable. First and foremost, Company Betterment, as defined in the Company's IPUC approved Rule H (New Service Attachments and Distribution Line Installations or Alterations) is applicable only to distribution facilities. It is broadly defined as the installation of facilities or work performed that is in *excess* of that requested or required by the customer. Rule H specifically states that it does not apply to transmission or substation facilities, both of which are the required upgrades detailed in the Facility Study dated November 27, 2012, for Glanbia Foods' expansion project.

Aside from the fact that Rule H is applicable only to distribution facilities, Glanbia misconstrues Company Betterment to include what Glanbia characterizes as "available capacity" at the substation currently used to serve Glanbia's load. The Company does not anticipate the load in this area to increase significantly in the near term and, consequently, any such capacity would be associated with what the IPUC would consider to be a "stranded asset" which does not provide the "value" Glanbia suggests. Any benefits associated with Glanbia discontinuing its use of those facilities, if they exist, would be reflected in future Schedule 19 rates.

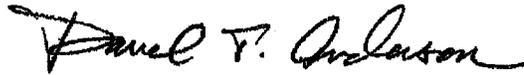
Regarding your claim that Idaho Power has not made an effort to identify the "allowances" Glanbia would be "entitled" to for the proposed expansion, Glanbia is once again confusing language contained in Rule H regarding distribution facilities and costs, with the transmission and substation costs identified in the Facility Study. Again, Rule H specifically states that it does not apply to transmission or substation facilities. Allowances under Rule H are based on the cost of providing and installing Standard Terminal Facilities, which are the

1221 W. Idaho St. (83702)
P.O. Box 70
Boise, ID 83707

overhead Terminal Facilities (transformer, meter, overhead service conductor) most commonly installed for overhead single phase and three phase service. There are no allowances arising from the proposed expansion that Glanbia would be entitled to under Rule H. At Glanbia's request and at the option of the Company, transformers and other facilities installed beyond the Point of Delivery to provide primary or transmission service may be owned, operated, and maintained by the Company in consideration of Glanbia paying a Facilities Charge to the Company. This service is provided under the provisions set forth in Rule M, Facilities Charge Service.

I hope I have provided you a clearer understanding of the two issues you identified. The Company has provided you with the revised Facility Study Report for the integration of an additional 7 MW of power at your Gooding facility. I appreciate your recognition of Idaho Power's attractive retail rates as one of the considerations for your decision to expand your facility in our service territory. We look forward to a continued good relationship with Glanbia.

Sincerely,



Darrel T. Anderson