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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
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August 22, 2013

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-13-09
Glanbia Foods, Inc.'s Petition – Idaho Power Company's Additional
Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Additional Comments.

In addition, an original and seven (7) copies of the **confidential** attachment are enclosed in a separate envelope. Please handle the confidential attachment in accordance with the Protective Agreement executed in this matter.

Sincerely,



Lisa D. Nordstrom

LDN:csb
Enclosures

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 IDAHO PUBLIC UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF)	
GLANBIA FOODS, INC. FOR APPROVAL)	Case No. IPC-E-13-09
OF A LINE EXTENSION ALLOWANCE)	
PURSUANT TO IDAHO POWER)	IDAHO POWER COMPANY'S
COMPANY'S RULE H.)	ADDITIONAL COMMENTS
)	

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Additional Comments pursuant to Idaho Public Utilities Commission ("Commission") Order Nos. 32848 and 32862, which directed the Company to file additional written comments discussing an appropriate calculation of an allowance for the proposed Glanbia Foods, Inc. ("Glanbia") electric facilities upgrade.

Subsequent to the Commission issuing Order No. 32848, the Company met with Commission Staff ("Staff") and Glanbia to discuss the Commission directive contained in Order No. 32848. The Company, Staff, and Glanbia each have distinct and differing impressions of the Commission directive. The Company believes that the Commission did not desire additional comments on all issues in this case; rather, the Company

believes that the Commission desires additional comments solely related to the determination of an equitable allowance methodology. Therefore, the Company's response is limited to clarification of its allowance practices and by the scope as set forth in the aforementioned order. However, based upon the discussions between parties at the meeting, Idaho Power recognizes other parties' additional comments could include additional arguments regarding issues not related to the determination of an allowance. If the Commission desires to expand the scope of its directive beyond the determination of an allowance, the Company respectfully reserves the right to respond to any new arguments introduced into the record by other parties' additional comments.

I. CLARIFICATION OF THE COMPANY'S SCHEDULE 19 ALLOWANCE PRACTICES

Based upon language within Order No. 32848, the Company believes its current allowance practices with regard to Schedule 19, Large Power Service, customers and Rule H may not be fully understood. Specifically, the Company never believed that the Commission intended to eliminate allowances for Schedule 19 customers "simply because those customers normally are not served by the same 'standard terminal facilities' required to serve residential customers."¹

While Rule H does include a provision for Schedule 19 allowances on a "Case-by-Case" basis, it is the Company's position that the "Case-by-Case" provision is only appropriately considered within the context of Rule H in the event a Schedule 19 customer's request includes distribution terminal facilities. As more fully explained in the Company's Reply Comments, a Schedule 19 customer could qualify for a distribution facilities allowance under Rule H if the customer elected to take service at a

¹ Order No. 32848, p. 6.

Secondary Service Level voltage.² In fact, the Company does have a Schedule 19 customer who takes service at a Secondary Service Level and that customer did receive a Rule H distribution facilities allowance at the time the distribution facilities were installed. The Company's position in this complaint continues to be that under Rule H, no distribution facilities allowance is appropriate for Glanbia's request because Rule H specifically states that it does not apply to transmission or substation facilities. None of the facilities Glanbia has requested are distribution facilities.

Regarding the Company's treatment of a Contribution in Aid of Construction ("CIAC") required from a Schedule 19 customer for transmission and substation upgrades, the current treatment is that any upgrade of transmission or substation facilities that is *requested by and will only benefit one Schedule 19 customer will be paid for by that one customer*. The Company believes this treatment is the best way to protect the greater body of customers from being required to pay for, in their rates, facilities that can be directly assigned to the specific customer requesting the service.

The Company's approach to addressing Schedule 19 CIACs has been supported in prior Commission findings. In Case No. IPC-E-00-12, the Commission supported the collection of Schedule 19 CIACs for substation plant "as such payments directly offset Company investment and additions to rate base."³ The Commission stated in the same order that "Rule H does not apply in this case because the complaint concerns costs associated with the Bethel Court Substation facilities," noting that "Schedule 19 customers pay for their share of substation costs through up-front charges when

² Case No. IPC-E-13-09, Idaho Power Reply Comments, p. 7.

³ *Kimball Properties Limited Partnership, and Hewlett-Packard Company vs. Idaho Power Company*, Case No. IPC-E-00-12, Order No. 29529, p. 6.

capacity is not available.”⁴ Finally, the Commission stated that the Schedule 19 treatment was “fair, just and reasonable and that it fairly allocates the costs of new facilities.”⁵ The Company has treated Glanbia’s request in accordance with these Commission findings.

The Company’s CIAC review practice is to determine what facilities will be needed to provide the requested service, and to determine whether any Company Betterment⁶ will occur once the facilities are constructed. If it is determined that Company Betterment would be derived from the new facilities, the amount of the CIAC is reduced by that portion of the cost that will benefit other customers. The remaining cost of the facilities is collected from the individual customer requesting the service.

For the customer requesting the facilities, Company Betterment is effectively an allowance because any Company Betterment is a reduction of the CIAC the customer will fund. Company Betterment is applied on a case-by-case basis, and is considered and included in the “special arrangements” made between the Company and the customer as referenced in the “Availability” section of Schedule 19.⁷

⁴ *Id.*, p. 7.

⁵ *Id.*

⁶ I.P.U.C. No. 29, Tariff No. 101, Rule H New Service Attachments and Distribution Line Installations or Line Alterations, First Revised Sheet No. H-1. Rule H states, “Company Betterment is that portion of the Work Order Cost of a Line Installation and/or Alteration that provides a benefit to the Company not required by the Applicant or Additional Applicant. Increases in conductor size and work necessitated by the increase in conductor size are considered a Company Betterment if the Connected Load added by the Applicant or Additional Applicant is less than 100 kilowatts. If, however, in the Company’s discretion, it is determined that the additional Connected Load added by the Applicant or Additional Applicant, even though less than 100 kilowatts, is (1) located in a remote location, or (2) a part of a development or project which will add a load greater than 100 kilowatts, the Company will not consider the work necessitated by the load increase to be a Company Betterment.”

⁷ I.P.U.C. No. 29, Tariff No. 101, Schedule 19 Large Power Service, First Revised Sheet No. 19-1. Schedule 19 states, “To the extent that additional facilities not provided for under Rule H, **including transmission and/or substation facilities**, are required to provide the requested service, special arrangements will be made in a separate agreement between the Customer and the Company.” (Emphasis added.)

The Company did analyze Glanbia's request to determine if there was any benefit other customers would derive from the constructed facilities. The Company determined there was no near-term need for additional capacity in the geographic area of Glanbia's load,⁸ and the decision was communicated to Glanbia that it would be required to fund the upgrade required to serve its request. But for Glanbia's request, no additions or upgrades to the facilities that serve Glanbia or the Company's surrounding customers would have been made in the near term.

II. NEW POLICY FOR SUBSTATION ALLOWANCE IN RESPONSE TO ORDER NO. 32848

While the Company believes the current practice of requiring each requesting Schedule 19 customer to pay for transmission and substation facilities that will only benefit the requesting customer is still the best policy, it understands the Commission may wish to change policy and create new allowances for Schedule 19 customers. Based on the Commission's directive in Order No. 32848, the Company has formulated a methodology that could be implemented and administered to ensure that all new Schedule 19 customers requesting service that would require substation alterations or upgrades would be treated in a consistent manner and would be eligible to receive a substation allowance.

A. Calculation of Fixed Substation Allowance.

In Order No. 32848, the Commission asked the parties to consider "how an equitable allowance can be structured to eliminate any potential cost to the Company's general body of customers."⁹ The directive to "eliminate any potential cost to the

⁸ The Company's Betterment analysis of the Glanbia request is described in Attachment 1 to the Company's Reply Comments filed on June 14, 2013, in this case.

⁹ Order No. 32848, p.6

Company's general body of customers"¹⁰ is not possible because any time the Company makes an investment in substation and transmission plant without a direct offset by means of a CIAC, the Company's other customers are financially impacted by the addition of Company investment to rate base. However, the Company has quantified what it considers to be an "equitable" impact to existing customers by determining a new fixed substation allowance for Schedule 19 customers based upon a similar approach as that taken in Rule H allowances for distribution terminal facilities.

While Schedule 19 customers have a high degree of variability in their load patterns, the Company believes that if a substation allowance is adopted by the Commission, it is appropriate to determine a fixed substation allowance similar to other customer classes for the installation of new distribution facilities under Rule H. The Company's approach to a new methodology involves first determining what a "typical" Schedule 19 customer's average annual demand is. The Company reviewed the Schedule 19 class's 2012 individual customer 15-minute maximum demand data to determine the "average" Schedule 19 customer had a peak of 3.03 megawatts ("MW")¹¹ during each individual customer's maximum demand time. The Company rounded this number to 3 MW. The Company believes this 3 MW value reasonably represents a typical Schedule 19 customer. Seventy-one percent of the Company's Schedule 19 customers had a maximum demand that was below 3 MW during 2012.¹²

¹⁰ *Id.*

¹¹ The Company's analysis looked at actual 2012 data to identify each individual Schedule 19 customer's 15-minute maximum demand. This number relates to the individual customer's 2012 billing demand.

¹² A distribution of the data revealed that 71 percent of the 117 Schedule 19 customers had a peak that was below 3 MW and 29 percent of Schedule 19 customers had a peak that exceeded 3 MW. The Schedule 19 distribution data is included as Attachment 1.

Next, the Company considered what “terminal” facilities would be installed to serve a typical Schedule 19 customer’s request. The Company reviewed the substations that feed the existing Schedule 19 customers and concluded the majority of Schedule 19 customers are fed off a 30 megavolt-ampere (“MVA”) or higher transformer with metalclad. While there are not specific “terminal” facilities installed for Schedule 19 customers, based on the substation review, the Company determined that its “standard installation” request for a Schedule 19 customer would involve a 30 MVA transformer and the related grounding and safety equipment required for installation. The Company included the grounding and safety equipment because it determined that these types of facilities are akin to “Standard Terminal Facilities” that a three phase distribution allowance is based upon. The Company’s calculation includes only the installation of that transformer and related equipment, not the equipment required to build-out an entire substation, which is similar to residential/commercial distribution allowances that are based on the transformer and related equipment but do not include all facilities required to serve a residential or commercial customer, like the distribution pole or underground trenching.

The Company believes that if the Commission chooses to change the existing policy, then a fixed substation allowance that provides an offset for the facilities required to provide service to the “typical” Schedule 19 customer would provide a fair and equitable method that could be applied to all customers within the class. Based on this rationale, the Company used the size of the typical Schedule 19 customer (3 MW) to calculate a prorated share of the 30 MVA transformer installation cost to determine a

fixed substation allowance amount of \$197,202.¹³ The Company believes that its quantification of the potential fixed substation allowance might be considered equitable in that it would provide an allowance based on the size of a typical Schedule 19 customer. If this substation allowance had existed in the past, 71 percent of Schedule 19 customers who were smaller than the 3 MW average would not have had to make any contribution and those larger customers, like Glanbia, would have paid for the costs above the 3 MW prorated allowance. This concept is consistent with the Company's distribution line extension policy, Rule H, in which Standard Terminal Facilities are provided for all residential and commercial customers, but those who require facilities above those that are standard must pay for those facilities.

While the fixed substation allowance of \$197,202 complies with the directive contained in Order No. 32848 to "address an appropriate calculation of an allowance,"¹⁴ this substation allowance does not "eliminate any potential cost to the Company's general body of customers."¹⁵ The only way to eliminate any potential cost would be to follow the existing practice of requiring the Schedule 19 customer who solely benefits from the new transmission and substation facilities to pay for those facilities.

B. Substation Allowance Structure and Applicability.

If the Commission chooses to implement a new Schedule 19 substation allowance, the Company recommends its tariffs be modified such that: (1) the Company's Rule H would remain unchanged, as substation allowances are expressly

¹³ The entire cost of a 30 MVA transformer, airbreak switches, interrupter, metalclad and protection equipment is currently estimated at almost \$2 million. If the typical 3 MW customer's request prompted the Company to alter or upgrade an existing substation to meet that request, the customer would be responsible for 3/30^{ths} of the cost of the entire alteration, or approximately \$197,202. The installation cost breakdown is included as confidential Attachment 2.

¹⁴ Order No. 32848, p. 7.

¹⁵ *Id.*, p. 6.

excluded from the Rule and (2) Schedule 19 would be changed to include a section describing the amount of substation allowance and its applicability. If the Commission adopts a substation allowance, the Company also recommends updating the fixed substation allowance in Schedule 19 annually coincident with updating distribution allowances in Rule H.

In terms of applicability, the Company proposes that any Schedule 19 customer who requires substation upgrades be installed receive a substation allowance *only one time*, which is consistent with the Company's treatment of customers requiring new distribution facilities under Rule H. A substation allowance would be calculated when the customer's original request for service is received, but any subsequent upgrade would not qualify for additional substation allowances.

Under this methodology, a substation allowance for Glanbia's current request would be zero because Glanbia already received the benefit of "free capacity" when it originally requested service from the Company.¹⁶ Other customer classes do not receive more than one allowance, even when adding new load, because the allowance is intended to be a one-time offset against facilities required to serve the customer. The Company believes that allowing Schedule 19 customers to receive multiple substation allowances is inappropriate and will result in upward pressure on all rates.¹⁷

¹⁶ The current request is Glanbia's second upgrade request since it began taking service at this service point. Glanbia originally took service with no upfront cost for substation upgrades and subsequently requested a 2.5 MW increase to its load on October 25, 2012, which was also accommodated at no additional upfront cost to Glanbia because there was existing capacity in the substation.

¹⁷ The Company believes if the Commission authorizes an allowance for Glanbia's proposed facilities upgrade, the Company would be required, pursuant to *Idaho Code* § 61-315, to provide multiple allowances for all Schedule 19 customer requests of this type on a going forward basis, unless the Commission indicates otherwise.

C. Rejected Allowance Methodologies.

The Company internally evaluated a proposal for the entire cost of the substation to be provided as an allowance. However, the Company does not believe this is consistent with the Commission's Order to "structure an allowance for Glanbia's project so that it does not create a cost risk to Idaho Power's other customers."¹⁸ Providing the entire cost of the substation as an allowance would have a direct financial impact on other customers and the Company does not believe this solution to be fair and equitable nor responsive to the Commission's Order.

The Company also evaluated an alternate methodology of providing "scalable" allowances that could be applied on a "per MW" basis. This is not a methodology the Company supports re-introducing, as it is similar to the historical Rule H allowance methodology that was abandoned during Case No. IPC-E-95-18. Scalable allowances are problematic for several reasons. This approach could incentivize a customer to "scale" its request to ensure there would be no contribution required, essentially resulting in the Company's previously rejected consideration of providing the entire cost of the substation for a customer. Operationally, this practice leads to an overbuilding of the Company's overall electrical system and the unnecessary building of rate base, which ultimately increases rates for all customers.

III. POLICY IMPLICATIONS FOR CUSTOMER RATES

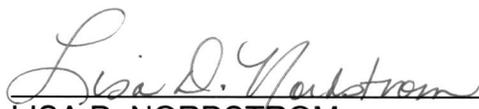
Changing the long-standing policy of requiring Schedule 19 customers to pay for new substation facilities up front could have several negative impacts, and while the Commission is able to change policy, the Company believes a shift in this policy will provide upward pressure on future rates paid by all customers. Any change should be prospective, and the Commission should recognize that other Schedule 19 customers

¹⁸ Order No. 32848, p. 6.

who have recently paid for 100 percent of the cost of similar facilities to serve their own needs will now be required to pay, through their rates, for the facilities that will only benefit Glanbia.

Most importantly, any new Company investment will be an addition to plant in rate base and will be recovered through all customers' rates. While the Company does not earn a return on plant when a CIAC is collected from any individual customer, the Company believes the current policy best insulates the greater body of customers from one individual customer's request. Socializing these types of customer-specific costs will add to rate base and will increase rates for all customers, not just the Schedule 19 class.

DATED at Boise, Idaho, this 22nd day of August 2013.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 22nd day of August 2013 I served a true and correct copy of IDAHO POWER COMPANY'S ADDITIONAL COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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Christa Beary, Legal Assistant

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-13-09

IDAHO POWER COMPANY

ATTACHMENT 1

Schedule 19 Customer Class's 2012 Individual Customer 15-Minute Maximum Demand

Customer Identifier	Demand (kW)
M0289	13,305
M0294	12,210
M0169	11,461
M0212	10,421
M0437	9,537
M0199	9,513
M0186	9,342
M0165	8,463
M0150	8,348
M0204	8,280
M0002	8,130
M0024	6,965
M0128	6,457
M0025	6,211
M0170	6,031
M0013	6,005
M0115	5,924
M0006	5,713
M0035	5,468
M0005	5,390
M0460	4,512
M0028	4,430
M0106	3,990
M0406	3,676
M0309	3,528
M0498	3,412
M0012	3,406
M0393	3,375
M0016	3,329
M0329	3,174
M0019	3,139
M0133	3,109
M0037	3,070
M0253	3,035
M0452	2,942
M0003	2,810
M0067	2,792
M0155	2,726
M0060	2,631
M0076	2,622
M0258	2,510
M0072	2,507
M0383	2,445
M0363	2,413
M0078	2,273
M0007	2,216
M0114	2,213
M0181	2,141
M0081	2,074
M0082	2,053
M0151	2,046
M0450	2,030
M0484	1,977
M0055	1,942
M0033	1,861
M0008	1,860
M0083	1,857
M0079	1,798

Customer	Count	
Greater than 3.03 MW	34	29%
Less than 3.03 MW	83	71%
Total	117	100%

Customer Identifier	Demand (kW)
M0020	1,736
M0109	1,723
M0118	1,712
M0173	1,699
M0423	1,648
M0092	1,648
M0090	1,630
M0399	1,520
M0040	1,440
M0215	1,439
M0180	1,428
M0059	1,389
M0068	1,356
M0476	1,347
M0195	1,341
M0407	1,304
M0428	1,241
M0027	1,208
M0196	1,204
M0503	1,196
M0408	1,190
M0358	1,186
M0486	1,186
M0036	1,169
M0330	1,155
M0009	1,154
M0057	1,139
M0094	1,138
M0149	1,106
M0353	1,098
M0159	1,093
M0102	1,075
M0419	1,040
M0411	1,032
M0044	1,022
M0236	1,022
M0112	1,010
M0454	981
M0467	975
M0091	967
M0380	950
M0230	937
M0500	892
M0099	871
M0218	761
M0356	730
M0160	568
M0164	487
M0022	477
M0352	462
M0052	429
M0108	409
M0080	352
M0491	330
M0137	165
M0050	140
M0014	68
M0086	56
M0070	14
Total	3,029

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-13-09

IDAHO POWER COMPANY

ATTACHMENT 2

**THIS ATTACHMENT IS
CONFIDENTIAL
AND WILL BE PROVIDED
TO THOSE PARTIES THAT
HAVE SIGNED THE
PROTECTIVE
AGREEMENT**