

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

|   |                             |
|---|-----------------------------|
| <b>IN THE MATTER OF THE PETITION OF )</b> |                             |
| <b>GLANBIA FOODS, INC. FOR APPROVAL )</b> | <b>CASE NO. IPC-E-13-09</b> |
| <b>OF A LINE EXTENSION ALLOWANCE )</b>    |                             |
| <b>PURSUANT TO IDAHO POWER )</b>          | <b>ORDER NO. 32848</b>      |
| <b>COMPANY'S RULE H. )</b>                |                             |

---

On April 5, 2013, Glanbia Foods, Inc. filed a Petition asking the Commission to approve an allowance against the costs of a line extension on Idaho Power Company's system. Glanbia operates a cheese factory in Gooding and currently is one of Gooding County's largest employers. Glanbia Petition, p. 2. The existing Glanbia facility consumes approximately 9 MW of power under Idaho Power's Schedule 19. Glanbia plans to expand its plant, increasing its electricity usage an additional 7 to 10 MW on a consistent high load factor basis. Glanbia Petition, p. 2.

In order to serve the planned expansion of the Glanbia plant, Idaho Power must upgrade its facilities and it has prepared a feasibility study estimating an upgrade cost between \$6.3 million and \$11.9 million. Glanbia asked Idaho Power to calculate an allowance against the costs of the improvements pursuant to tariff Schedule H, but the Company refused, concluding its Rule H tariff is inapplicable to the proposed upgrade.

Glanbia also seeks compensation for a Company Betterment benefit and requested a Vested Interest credit. If the improvements are made, capacity in the Toponis substation will be freed up, allowing approximately 10 MW of capacity in that substation to be used to serve other customers, creating a Company Betterment for Idaho Power. A Vested Interest is defined in Rule H as the right to a refund that an applicant holds in a specific section of distribution facilities when additional customers attach to the section of distribution facilities improved by the applicant.

In addition to requesting an allowance, Glanbia's Petition asserts it has been unable to obtain a commitment from Idaho Power that Glanbia will be allowed to verify that the construction will be competitively and transparently bid. Glanbia Petition, p. 4. Glanbia asked 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 (3) allow Glanbia to be included in the design, engineering and selection of contractors. *Id.*

Idaho Power filed an answer to Glanbia's Petition on April 26, 2013. The Company asserts it properly followed its tariff, rules and regulations, and that the requested facilities are not covered under the Company's Rule H tariff. Idaho Power contends its Rule H applies only to distribution facilities and it would be improper and outside the scope of Rule H to apply it to the transmission facilities required by Glanbia. Idaho Power Answer, p. 6. The Company states that allowances are provided under Rule H based on the cost of providing standard terminal facilities for single-phase and three-phase services. Because Schedule 19 primary service customers like Glanbia are metered on the primary side of transformation, no terminal facilities are needed to meet Glanbia's request. Idaho Power Answer, p. 9. Idaho Power contends that because Glanbia's request does not require the construction of any distribution facilities, it does not qualify for a Vested Interest allowance under Rule H. The Company also argues Glanbia is not entitled to a credit for Company Betterment under Rule H.

Idaho Power asked the Commission to deny Glanbia's request to allow it to participate in the Company's design, engineering, and selection of contractors for the project. Idaho Power solicited non-binding proposals from four contractors for Glanbia's project, and received responses from all four in March 2013. The contractor responses ranged from 34% to 70% higher than Idaho Power's estimated cost of \$8.3 million for it to complete the work. Idaho Power Answer, pp. 11-12. If Glanbia proceeds with the project, the Company stated it will perform a true-up of actual costs and will refund amounts to Glanbia or collect amounts from Glanbia where estimated costs are more or less than actual costs. Idaho Power will also provide a detailed cost report showing all charges to the work involved in completing the installation of the necessary facilities for Glanbia. Idaho Power Answer, p. 12. Idaho Power points out that Glanbia has the option to own, operate and maintain its own transmission and substation facilities so long as those facilities are not harmful to the safety, reliability, and integrity of Idaho Power's system.

On May 7, 2013, the Commission issued Procedural Order No. 32803 establishing a schedule, as proposed by the parties, to complete the record on Glanbia's Petition. The parties agreed to a written comment period to process the Petition, and Order No. 32803 established that written comments were to be filed by the parties and Staff by June 5, 2013, and that reply

comments were to be filed on or before June 14, 2013. Staff and Glanbia submitted written comments on June 5, 2013, and Idaho Power filed reply comments on June 14, 2013.

### **WRITTEN COMMENTS**

Glanbia in its answer and comments proposed an allowance using the methodology proposed by Staff in Case No. IPC-E-08-22. Glanbia noted that the Commission in Case No. IPC-E-08-22 approved allowance levels for customers in Schedules 1, 4, 5, 7, 9 and 24, but did not set a specific amount for Schedule 19, indicating those allowances should be set on a case-by-case basis. Schedule 19 customers have a wide diversity of usage levels and load patterns, and calculating a Schedule 19 allowance on a per kWh basis allows it to be applied on a case-by-case basis for each customer's unique circumstance. Glanbia Comments, p. 3. Glanbia believes Staff's approach to Schedule 19 allowances "is sound and prevents a customer from paying twice for a portion of the cost of their requested line extension and is based on the Company's own cost of service study." Glanbia Comments, p. 3.

Glanbia reiterated that it should be entitled to a Vested Interest in the event the improved facilities become available for use by other customers. Glanbia also requested that the Company guarantee that Glanbia will have access to the full nameplate capacity of the expansion it pays for at no additional cost should Glanbia's future expansions call for additional capacity. Glanbia renewed its request that Idaho Power be required to competitively bid the work, allow Glanbia the right to audit the transaction, and allow Glanbia to be included in the design, engineering and selection of contractors. Glanbia Comments, p. 4.

Staff in its comments reviewed the applicability of Rule H to Glanbia's request for improved facilities noting that Rule H by its terms applies to Schedule 19 customers. Specific Rule H allowances, however, are identified only for distribution facilities. Rule H directs that the addition of transmission and substation facilities will be made under special arrangements. Thus, although it is clear that Rule H applies to Schedule 19 customers, it is also clear the allowances in Rule H do not apply to transmission or substation facilities. Staff Comments, p. 3. Staff disagrees with Idaho Power's conclusion that because Rule H allowances do not apply to transmission or substation facilities, no allowance must be provided. Neither Rule H nor Schedule 19 prohibit an allowance for transmission or substation facilities. In fact, Schedule 19 clearly provides that if these facilities are required, special arrangements will be made in separate

agreement between the customer and the Company, without specifying terms for those special arrangements. Staff Comments, p. 4.

Staff also believes it is fair and reasonable to grant Glanbia a five-year Vested Interest in the new transmission line to be constructed. Staff argues that although Glanbia's load requires a transmission voltage rather than a distribution voltage line, the new transmission line would serve the same function as if it were a distribution line. Staff noted, however, that it seems unlikely that any new customer large enough to take service at transmission level voltage would emerge in the five-year Vested Interest period. Staff Comments, pp. 7-8.

Staff does not believe that Glanbia is entitled to a Company Betterment credit. Although the existing substation that currently serves Glanbia will no longer be used for that purpose, thus freeing up capacity to serve other customers, Staff does not believe the freeing up of the substation capacity will likely lead to any Company benefit in the near future. Staff Comments, p. 8.

Idaho Power in its reply comments reiterates the arguments set forth in its answer, and also argues that "it would be inappropriate to provide an allowance to Glanbia without making a change to a rule or tariff because the types of facilities it has requested are not eligible for allowances under the Company's existing tariff." Idaho Power Reply Comments, pp. 1-2. The Company maintains simply that the provisions of Rule H do not apply to Glanbia's request because it involves construction of a transmission line and substation. The Company states "while no allowance provision for such construction exists today, the Company does evaluate requests for the construction of new transmission and substation facilities to determine if any existing or anticipated new customers will benefit from the construction of such facilities. Such benefit has been referred to as 'Company Betterment.'" Idaho Power Reply Comments, p. 4. Idaho Power was not able to identify any near-term system benefit to be derived by existing or anticipated new customers by Glanbia's requested improvements. Idaho Power maintains that any Company contributions to the funding of transmission lines and substations should be addressed by determining Company Betterment rather than by establishing a new allowance provision. Idaho Power Reply Comments, p. 4.

Idaho Power agrees, as Staff asserted, that its determination of allowances for Rule H were not based on embedded costs, "but were primarily based on a shift in policy and more specifically a change to the cost of standard terminal facilities." Idaho Power Reply Comments,

p. 9. The Company's allowances were approved by the Commission in Orders that authorized the policy shift from an embedded rate methodology to one based on the cost of standard terminal facilities. Idaho Power argues that Staff is attempting to reintroduce an embedded cost methodology that was not approved by the Commission. Idaho Power Reply Comments, p. 10.

Regarding Glanbia's request that it have access to the full nameplate capacity of the expansion it pays for, the Company stated it does not anticipate any additional load in the area in the near future and thus more than adequate capacity should be available when needed. As a general rule, the Company's practice is to maintain capacity for projects that have been funded by a customer for a five-year period, and Idaho Power believes this assurance should alleviate Glanbia's concerns. Idaho Power Reply Comments, p. 12.

### COMMISSION DECISION

After reviewing the pleadings and filed comments, the Commission has determined to extend the comment period an additional 21 days and ask the parties to address an appropriate calculation of an allowance for Glanbia's project, assisted by clarification from the Commission regarding allowances for Schedule 19 customers. Idaho Power did not propose a way to determine the appropriate allowance, arguing instead that no allowance should be given. Staff and Glanbia used a calculation based on certain identified costs embedded in rates, but the Commission abandoned that approach in Case No. IPC-E-08-22. We return to the Orders issued in that case to clarify the Commission's intent regarding allowances for Schedule 19 customers.

The Commission briefly summarized the principles behind allowances in Order No. 30853. First, the Commission noted that transmission facilities costs generally are recovered through rates paid by all customers rather than from individual customers, in part because up-front "fees cannot be charged for new plant that cannot be attributed specifically to serving new customers." Order No. 30853, pp. 9-10, citing *Idaho State Homebuilders v. Washington Water Power*, 107 Idaho 415, 690 P.2d 350 (1984) and *Building Contractors Association v. IPUC and Boise Water Corp.*, 128 Idaho 534, 916 P.2d 1259 (1996). Distribution facilities, in contrast, are easily identified to specific customers, and those costs historically have been collected partially through rates and partially in up-front contributions from new customers. The portion of facilities costs collected through electric rates represents the investment in new facilities made by Idaho Power, and "is often referred to as an installation or construction 'allowance.'" Order No. 30853, p. 10. The Commission approved new allowances for distribution plant for residential

customers based on the costs to provide standard terminal facilities for each of those customers, and clarified on reconsideration that the approach was different than the previous method that attempted to determine what portion of distribution plant was embedded in customer rates. Order No. 30955, pp. 20-23. The Commission approved specific allowances for single-phase and three-phase service, and the key factor was that the allowances were “based on the costs of standard terminal facilities that will be used to serve only the customer who is charged.” Order No. 30955, p. 22.

Idaho Power correctly noted that the Commission replaced the old method of determining allowances by attempting to isolate specific facility costs imbedded in rates paid by all customers. The Company incorrectly argues, however, that the Commission’s Orders in Case No. IPC-E-08-22 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. Nor are allowances for Schedule 19 customers precluded by Idaho Power’s Rule H tariff which states that arrangements for installation of their facilities will be made on a case-by-case basis. The key, as with the distribution facilities allowances, is that the facilities in question can be identified solely to the customer requesting them. It is appropriate that a Schedule 19 customer requesting specific facilities be asked to pay for them, but it also may be appropriate to recognize that the customer and all other Schedule 19 customers will continue to pay for a portion of those facilities in electric rates.

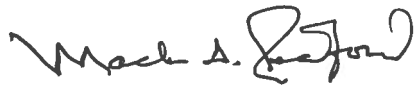
Because Case No. IPC-E-08-22 focused on residential customer facilities and allowances, the Orders issued in that case do not address how to calculate an allowance for a Schedule 19 customer when an allowance is appropriate. The Commission will extend the comment period in this case and ask the parties to address this issue. In that discussion the parties should consider how to structure an allowance for Glanbia’s project so that it does not create a cost risk to Idaho Power’s other customers. If an allowance were given and Glanbia thereafter did not continue as a customer, the portion of facilities costs recovered through Glanbia’s electric rates would be lost, and the cost of the allowance would be paid by all customers. There is nothing to indicate Glanbia’s proposed project is speculative; nonetheless, the parties should consider how an equitable allowance can be structured to eliminate any potential cost to the Company’s general body of customers.

## ORDER

IT IS HEREBY ORDERED that the comment period is extended for an additional 21 days from the date of this Order. The parties should file written comments discussing an appropriate calculation of an allowance for Glanbia's proposed electric facilities upgrade.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this // <sup>th</sup> day of July 2013.

  
PAUL KJELLANDER, PRESIDENT

  
MACK A. REDFORD, COMMISSIONER

  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bls/O:IPC-E-13-09\_ws2